

A FRAMEWORK FOR SUSTAINABLE TOURISM IN ARUBA

Prepared for the NATIONAL TOURISM COUNCIL OF ARUBA and the
MINISTER OF TOURISM AND TRANSPORTATION by:

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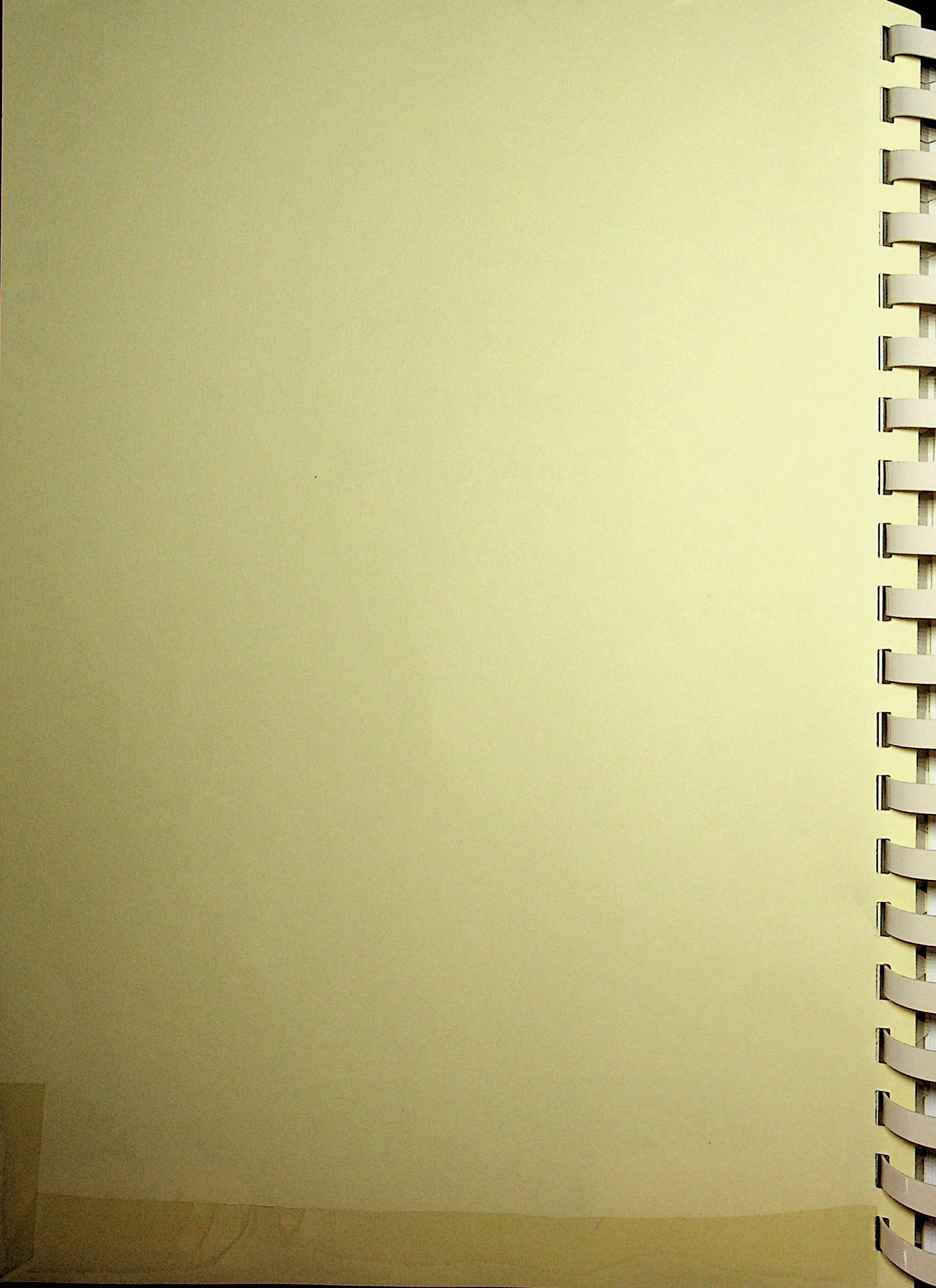
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**TOWARDS A FRAMEWORK FOR SUSTAINABLE
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1. INTRODUCTION: TOWARDS A FRAMEWORK FOR SUSTAINABLE TOURISM IN ARUBA

1.1 The National Tourism Council

The first Aruba National Tourism Conference was held in July 2002. The objective of the Conference was to introduce the Minister of Tourism and Transportation's vision for the future of tourism in Aruba. This embodied the commitment to the industry to involve both the public and the private sectors in working together to implement strategic changes in Aruba's development, and to build and maintain the Island's future as a prime Caribbean destination. The participants at the Conference identified four areas or challenges for tourism:

- **Sustainable Development for Culture, Heritage, and Environment**
- **Quality Assurance, Standards, and Training Needs**
- **Safety and Security for Residents and Tourists**
- **Develop a Collaborative Public-Private Sector Partnership**

Following the Conference, in October 2002 the Minister of Tourism and Transportation officially installed a National Tourism Council (NTC).¹ The NTC currently includes members from the following departments and organizations:

Public Sector:

- Ministry of Tourism and Transportation
- Ministry of Labor, Culture and Sports
- Ministry of Public Health
- Ministry of Economic Affairs
- Ministry of Infrastructure and Social Affairs

¹ Ministry Messenger. Ministry of Tourism and Transportation. December 2002.

- Ministry of Education
- Aruba Tourism Authority

Private Sector:

- Aruba Merchants Association
- Chamber of Commerce
- Aruba Hotel and Tourism Association
- Aruba Timeshare Association
- St Nicolas Business Association
- Aruba Bankers Association

The primary task of the NTC has been to elaborate the goals indicated above and to establish a **Framework for Sustainable Tourism** development in Aruba (hereafter called the 'Framework'.) Broadly speaking, creating the framework has been divided into two stages: The first stage, substantively completed and described in this report, sets out the rationale, guidelines, and strategic approach. The second stage, partially completed, develops a **Tourism Master Plan** for the future of tourism as a schedule of specific tourism products, their locations across the Island, and detailed proposals for the marketing, costs, infrastructure, security arrangements, training, and other elements of the Framework. The report also identifies responsibilities for NTC member departments and organizations, and possible new institutions that would facilitate private-public sector collaboration and ensure that the Framework is monitored and updated in an appropriate and timely fashion.

Acknowledgements:

The authors wish to acknowledge the high level of cooperation from the Minister of Tourism and Transportation and his staff, members of the National Tourism Council, trade associations, government personnel, hotel managers, and most especially, the staff of the Central Bureau of Statistics who have provided much of the data used in this report.

1.2. Background for the Framework

Some of the concerns expressed at the 2002 National Tourism Conference are of relatively long-standing in Aruba.² Others have arisen in the aftermath of the threefold expansion of tourism in the late 1980s. The latter was accompanied by high levels of new immigration to the Island and the accelerated growth of population, leading to urban sprawl and increasing erosion of the Island's natural landscape - primarily adjacent to the Island's Tourism Corridor and Oranjestad. Aruba already has one of the highest densities of tourism and population in the Caribbean (measured as visitors/resident population, or accommodation/area).³ Thus, the issues confronted by the NTC have to be set within the overarching question of "how far, and how fast tourism in Aruba could or should expand?"

Although questions of sustainability are often relegated to "over the horizon", the fact that the Island is so small, and the pace of growth so fast, requires that long-term constraints – those that are likely to greatly impact present residents and their children - are identified and incorporated into the Framework.

Aruba is widely recognized as a premier destination in the Caribbean and has enjoyed one of the fastest sustained rates of growth over a 50-year period in the region.⁴ Nonetheless, tourism in Aruba, as elsewhere, is vulnerable to downswings arising from economic depressions and political turmoil overseas. Recent years have demonstrated both. These events are especially disturbing for Aruba since tourism, directly and indirectly accounts for

² Questions about the limits of tourism growth in Aruba were raised, for example, in the 1981 IDAS Tourism Plan. The setting up of the Arikok National Park reflects concerns about loss of natural heritage, and so on.

³ See, for example, Guidance for Best Management Practices for Caribbean Coastal Tourism by Island Resources Foundation, St. Thomas, Virgin Islands, December 1996., and Caribbean Tourism Organization, 1995.

⁴ The WTTC (World Travel and Tourism Council, Impact of Travel and Tourism on Jobs and the Economy, 2002) ranks Aruba at 7th in the world in terms of tourism employment (38% of total) and 5th in terms of tourism investment (62.7% of total).

60-65% of GDP and 65-70% of employment.⁵ To reduce short-term instabilities requires that the Framework embody a strategic approach to managing the Island's tourism industry.

Tourism is acknowledged to be one of the largest and most internationalized of industries. Many reports by international tourism organizations point to the difficulties that this poses for small island nations.⁶ Across the Caribbean, Aruba has possibly the highest level of foreign investment and control.⁷ Overall, this relationship has enabled the Island to develop a competitive industry, but it has also meant that public and household income derived from tourism is less than some other competitor islands. Further, the Island has developed a rather homogeneous tourism product oriented to a limited segment of the North American market. Thus, Aruba has neglected other opportunities for "destination branding" based on authentic cultural experience and other local attributes that could provide a counterpoint to international chain hotel branding.

Aruba's success in tourism is attributed to its natural endowment of "sun, sand, and sea" which it shares with other tropical destinations. More especially it is attributed to the natural warmth and hospitality of the population that is attested to by visitor surveys, the high level of return visitors to the Island, and the enviably high rates of occupancy in the hotels.⁸ Aruba is widely recognized as a friendly, secure destination. One reason for this is that with relatively few exceptions Arubans enjoy high living standards, enviable welfare services, public security and so on, often exceeding those of visitors to the island. The challenge for

⁵ S. Cole. 2002. The Impact of Tourism on the Economy of Aruba. First National Tourism Conference. Oranjestad. July. 2002. The share varies from year to year depending principally on the number of visitors.

⁶ See, for example, *Tourism and the Environment in the Caribbean: An Economic Framework*. Caribbean Group for Cooperation in Economic Development. World Bank/EU June 2000. Report 20453-LAC.

⁷ See, for example, *Caribbean Hotel Trends*. Caribbean Tourism Organization. PKF. 1994 Edition.

⁸ See especially the Annual Tourism Profile of the Social Economics Statistics Division of the Central Bureau of Statistics. This includes the results of surveys from 1996 to 2002 including tourism expenditures, length and place of stay, and visitor satisfaction, etc.

the new tourism Framework in Aruba to protect these features, and maintain a high quality product that delivers sufficient and sustainable income.

The strength of the NTC initiative is that it builds upon the already established relatively high level of cooperation between the public and private sectors in Aruba. The Island's success is also founded on a relatively high degree of public participation beginning as early as 1947 with the setting up of the Aruba Tourism Commission.⁹ Public involvement continued through formal planning (such as the designation of the Tourism Corridor) and direct and indirect financial support.¹⁰ The Island has shown over the years that it has the ability to use tourism to counter adverse circumstances, although again this has contributed to difficulties, not least the present fiscal crisis confronting the Island government, and the rapid population growth. In arriving at its recommendations, the present report attempts to understand both the positive and adverse consequences of past policies.

To be successful the Framework must meet with broad agreement from all sectors and social groups. It is important to understand tourism in relation to identifiable needs, possibilities, and alternatives on an ongoing basis for the community as a whole. Further, there must be sufficient consensus and stability in terms of goals but sufficient flexibility to be able to respond to changed circumstances. In particular, the tourism industry must be able to plan over a reasonable investment horizon and the government needs to develop resources to support the industry. Also, the population at large needs to feel comfortable with the changes and know they will benefit from them. Moreover, it is necessary to balance short, medium, and long-run interests and possibilities.

⁹ See especially *The History of Tourism in Aruba (Draft)*. Aruba Tourism Authority. 2003.

¹⁰ The level of tourism planning is easily understated since the only substantive plan was the Aruba Tourism Development Plan. IDAS. 1981, and the 2002 First National Tourism Conference is the only initiative of this kind. However there have been numerous consultant reports and workshops on specific aspects of tourism in Aruba, several of which are acknowledged in the present report.

1.3. Overview of the Tourism Framework

The Framework proposed in this report requires that the Island slow the pace of growth whilst improving the tourist experience – in other words, to present Aruba as a restricted but highly desirable product. Although this may appear a daunting prospect, there is probably little other sustainable alternative.¹¹ In any case, the Island government already recognizes the need for significant change.¹²

The new Framework requires that tourism should be managed as a strategic asset in the interests of the Aruban community as a whole. Given the limited size of the Island in terms of geographic area, beaches and wilderness, and potential sites for tourism, there are upper-limits on the number of hotels that may be reasonably constructed. The most pressing constraint on tourism in Aruba is the limited availability of residential land. Since the demand for residential land is driven primarily by the growth of tourism and tourism-related immigration, the recommendation is made that the total level of tourist accommodation should not rise to more than about 12,000 rooms over the next 40 years.

This level would be sufficient to meet the foreseeable needs of Arubans and provide full employment of the resident labor force, improve the situation of public finance, achieve threshold scale economies, and maintain the dynamism of the industry. Typically, this would mean that no more than 50-100 rooms should be opened each year. For a variety of reasons, consistent with the overall goals of the tourism Framework, such as income capture and opportunities for local involvement - the preference is for small boutique style hotels. This does not preclude incremental expansion of existing chain hotels and timeshare, or construction of a small number of new larger properties, or redevelopment of existing

¹¹ It is possible to envisage, for example, that Aruba becomes a “Singapore of the Caribbean” or adopts a “Hawaii/Honolulu” style of regional development. Neither appears to be favored by Arubans. This is apparent, for example, from the Vision 2000 study prepared by the Aruba Quality Foundation and from interviews with NTC members and others undertaken for the present study.

¹² This is evidenced by the proposals in Vision, Courage, and Discipline. Financial and Economical Policies Document 2002-2005. Minister of Financial and Economic Affairs. August 2002.

properties. However, any larger scale development has to be carefully coordinated with other developments on the Island, in tourism or elsewhere.

The transition to a new strategy usually poses a major challenge for policy makers. This is because the need for a new strategy is often crisis-driven by immediate policy issues, such as high unemployment or government budget deficits, which are given higher priority than longer-run concerns, such as disappearing landscape and resources. Unfortunately, hasty solutions to short-run problems often conflict with longer-run goals. Whilst this could become the case in Aruba at the present time, the quandary may be reduced through adjustments in the scale and timing of new projects.¹³ Although, overall, and despite some setbacks, Aruba has been successful in using publicly subsidized large-scale tourism as a means to offset occasional high levels of structural unemployment. However, attending to the issue of long-term sustainability requires a new and more finely tuned approach.

Regional diversification of tourism is a central aspect of the proposed Framework, which is designed to address several objectives simultaneously. Specifically, regional diversification would make better use of Aruba's tourism potential through a variety of new tourism products and projects. This would include the improvement and consolidation of existing tourism products within defined geographic areas which would help to control the direct and indirect burden of tourism activities on already intensively developed areas, and from over-encroachment on the Island's natural environment.

The overall goal is to develop a strategic Framework that offers Aruba a means to develop a robust, flexible tourism development strategy. The proposed Framework aims to match expansion of tourism to changes in Aruban needs. The starting point for setting the pace and timing is to match the growth of accommodation to the growth of resident labor force in

¹³ To make projections, information on policies and trends in sectors that are not directly dependent on the tourism sector are required. A number of current Government of Aruba policy documents are used here. In particular, the Ministry of Finance and Economic Affairs report Vision, Courage, and Discipline (hereafter, the Visions Report) outlines approaches to diversification of the economy and revisions of the public revenue and spending.

order to maintain a dynamic high quality tourism sector, and provide an economic cushion for residents against cyclical effects, planned restructuring, and shocks. The Framework requires that the Island prepare for the future through initiation, growth, and maturation of tourist products in a planned sequence across the principal regions of the Island as indicated by emergent social and economic, environmental needs, and potential constraints.

In summary, concern that Aruba may be reaching its carrying capacity in terms of its ability to support a continued growth of tourism and population is central to the recommendations for the tourism Framework. An over-riding question for Aruba is how can the Island continue to extract a sufficient and stable level of income from a dynamic, competitive global industry when it is fast approaching its geographic and ecological limits?

The elements of the proposed Framework and the way that these address the goals for economic, social, cultural, and environmental sustainability set for the NTC are summarized by Table 1.1 To facilitate the process of achieving the goals of the new Framework, and to enable better collection and analysis of relevant information, the proposals include recommendations to establish an Independent Tourism Commission and a supporting Tourism Analysis Unit.¹⁴

The detailed analyses of the issues discussed above are given in Sections 2 through 7 of this Report and the Appendixes. The remainder of this section summarizes the main findings and recommendations.

¹⁴ It is noted that several previous consultant reports have made similar recommendations. See, for example, the PKF/Arthur D. Little study - Strategic Marketing Plan for the Future Development of Tourism in Aruba. March 1987.

Table 1.1. How Elements of the Framework Further NTC Goals

GOALS	STRATEGIES					
	Slow Growth Rate to Match Aruban Needs	Regionally Distribute Tourist Rooms	Consolidate and Improve Existing Products	Evolve Additional Small-Scale Tourism	Develop New Culture-Based Activities	Manage Tourism as a Strategic Asset
Long-Run Environmental Sustainability	X	X				
Economic Well-Being and Sustainability			X	X	X	X
Enhance Culture and Heritage	X	X			X	
Limit Economic and Social Vulnerability		X	X	X		X

1.4. Historical Background

Figure 1.1 shows the growth of three key variables for international tourism in Aruba since its beginnings in the late 1950s. Several trends are evident. Throughout the time period, growth has been led by the development of relatively large blocks of accommodation at irregular intervals. The first hotels were developed to offset structural unemployment caused by the automation of the Lago refinery. The growth of visitors was relatively steady until the recession years of the early 1980s. The guarantee-driven construction boom following the final closing of Lago slowed with the moratorium on new construction in the early 1990s. Throughout the 1990s, the growth of arrivals was fueled by continued expansion of the US economy: ending with the current recession and the 9/11 tragedy. Most notable, from the mid-1960s average occupancy rates have remained enviably high, with periodic declines following each bout of construction and during recessions.

Figure 1.1. Long-Run Occupancy and Levels of Visitors and Accommodation in Aruba

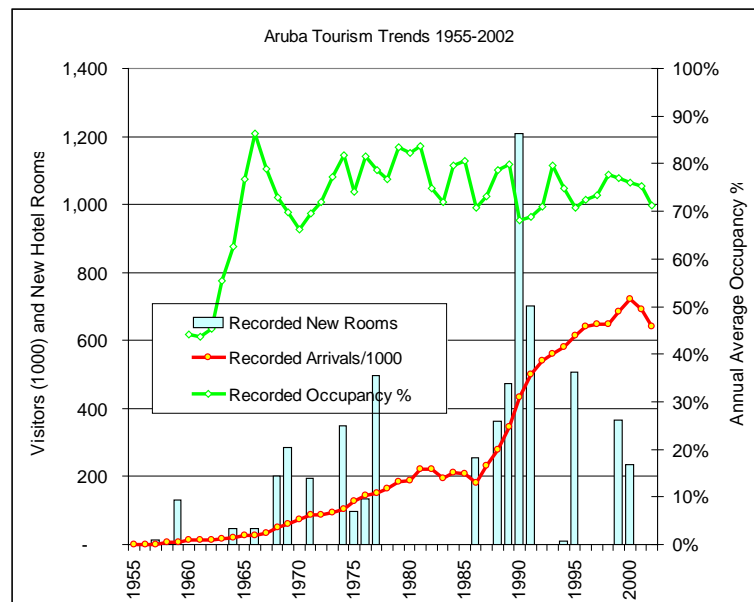
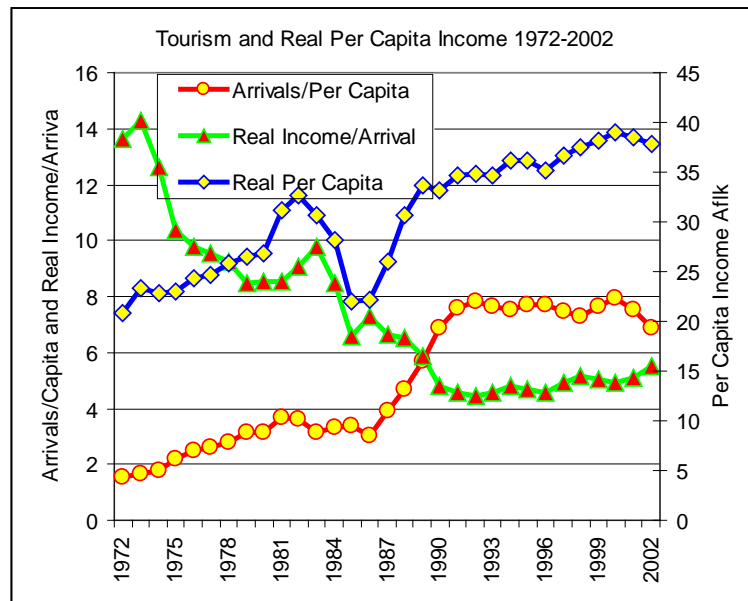


Figure 1.2 shows earnings from tourism per arrival and by per capita for the Aruban population.¹⁵ Real income per capita measured as deflated GDP/Population has grown steadily by about 2% since 1972 and continues at the same pace. Until 1990, real earnings per arrival fell steadily, although this is as much the result of the steady loss of jobs from the oil refinery. Most importantly, the real income per visitor began to rise after 1990. Much of this improvement appears to come from productivity improvements within the accommodation sector, and from the expansion of ancillary tourism activities and downstream linkages. It also reflects an institutional commitment to tourism and increasing recognition by the private sector that tourism is the major force driving the Island's economy. However, while this trend is notable, the per capita income from tourism in Aruba falls behind several other Caribbean islands.

Figure 1.2. Per Capita Income Compared to Tourist Arrivals 1972-2002

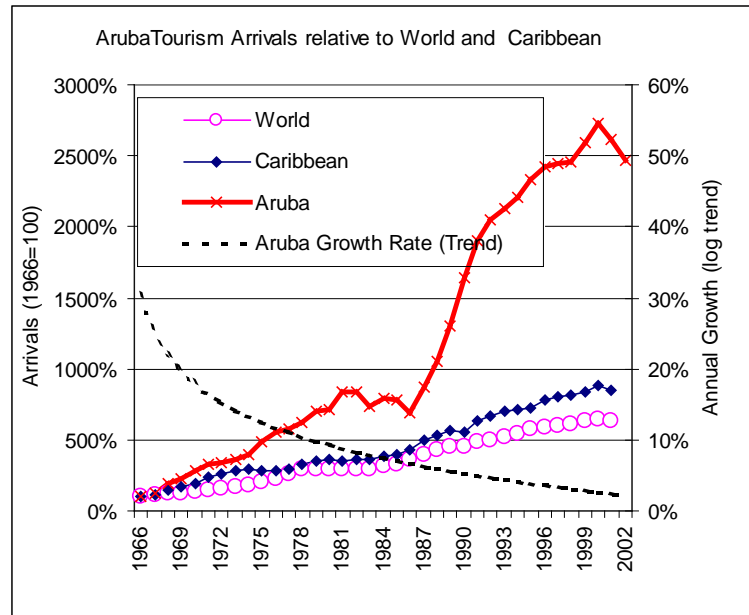


¹⁵ Data for some prior years are available. GDP per capita is a crude measure of the well being of the population that does not take account of income leakages from the Island. Household income is a somewhat better measure and this is used in the report to evaluate recent and proposed tourism projects.

Figure 1.3 shows the relative growth of arrivals to Aruba since the beginnings of international tourism compared to the rest of the Caribbean and the World.¹⁶ The chart shows that for almost the entire period the pace of growth of tourism has been faster than the average for the Caribbean and other international destinations. Over the last decade the pace of visitor growth has slowed to slightly above world average. While this trend may appear worrisome, projected average Caribbean growth rates by the CTO or WTO should not be seen as a challenge for Aruba to surpass. This development reflects number of factors, for example, the maturation of the tourism industry in Aruba, and the fact that resorts tend to grow faster during their early stages. Regional data reflect the combination of growth in other mature resorts similar to Aruba compounded by new and emerging destinations. Thus, the argument made in this report is that Aruba should aim for a rate of growth that provides for the needs of the resident population (including native-born Arubans and settled migrants) and that the foreseeable future does not jeopardize either the standard of living and quality of life for Arubans, or the tourism industry as the Island's primary source of income.

¹⁶ The scales here are indexed to 1966, the first year for which there are comparable data.

Figure 1.3. Arrivals to Aruba Compared to the Caribbean and the World



1.5. Population Growth, Land Use and Sustainability

This section, and those that follow, summarize the major sections of the report. A central question asked in Section 2 is, “how far can development proceed before the way of life enjoyed in Aruba is irretrievably threatened by over-development of the Island?”

- **Already, measured as hotel rooms/geographic area, the intensity of tourism in Aruba is among the highest in the Caribbean. Population density too is comparatively high.**

Although the expansion of tourism is driving the economy of Aruba, it is the growth of population rather than the growth of tourism that is the principal source of pressure on the available land. Unless increasing demands for residential land can be brought under control, other environmental concerns will be far more difficult to deal with. Therefore, limits of residential land occupation in Aruba can be used to assess the limits to growth in Aruba.

Over the last decades, the intensity of residential land use has increased dramatically across the northern half of the Island. Noord, Oranjestad and Santa Cruz are beginning to merge into a contiguous urban area. In contrast, there has been little increase in the intensity of land use at the southern end around San Nicolas. This pattern of land-use is shown in [Figure 1.4](#) that compares intensity of residential development in the 1960s with the present.

- **According to the Census 2000 there are 29,000 dwellings in Aruba. Given a continuation of existing suburban-style development in Aruba, about 85,000 new dwelling units could be built if all presently undeveloped land was used.**

This upper level of development would represent a total urbanization of the Island outside the protected and transition areas with densities similar to Dakota or Ponton. Much of this expansion would likely be in rural areas centered on Santa Cruz.

- **The proposed Framework for tourism in Aruba is designed to slow residential growth significantly and ensure that designated areas such as Arikok and the North Shore remain protected.**¹⁷
- **By 2045 the number of dwellings will have reached about 40,000, with a population of up to 120,000.**

¹⁷ The Ministry of Infrastructure and Social Affairs is drafting a new land-use plan for the Island that proposes that the Island be sub-divided according to five levels of land-use intensity: inner-urban, outer-urban, suburban, transitional zone, and protected areas (including Arikok).

The average intensity of land use would remain below 60% of the maximum level. With this overall level of development, the population could be distributed in a variety of ways. In order to, contain urban sprawl (and for other reasons considered below) the recommendation is to consolidate tourism in the Tourism Corridor and Oranjestad, and foster significant expansion in San Nicolas. The number of dwellings by district resulting from this illustrative land allocation is shown in Figure 1.5.

Figure 1.4. Intensity of Residential Land Use in Aruba 1960s and 2000

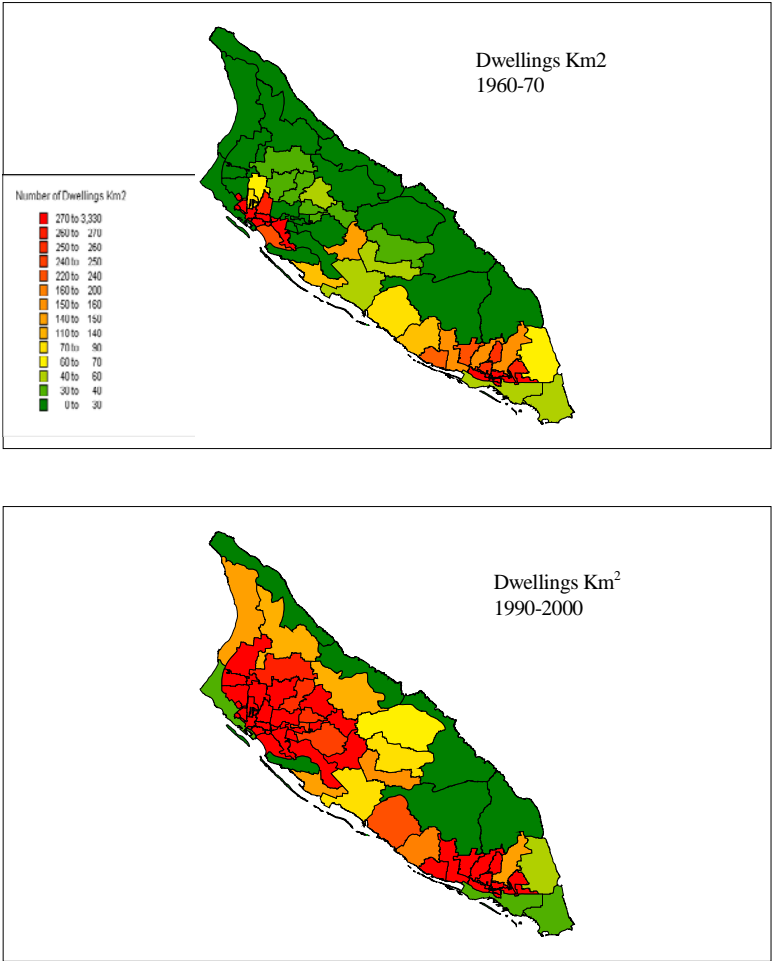
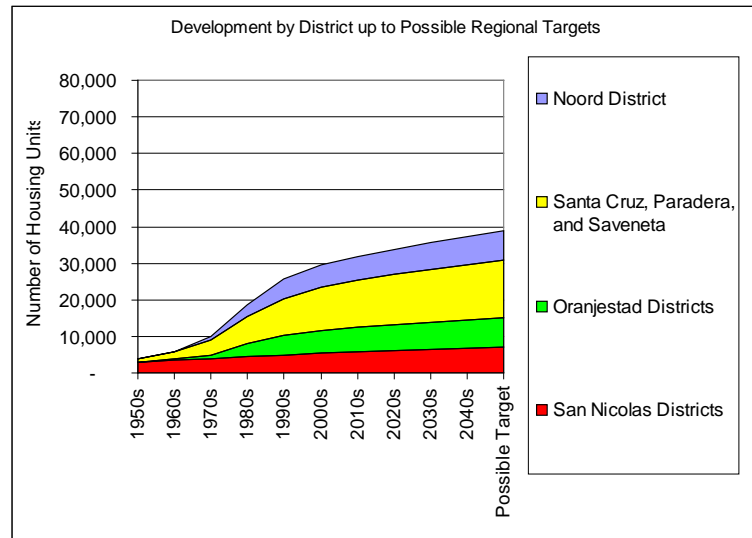


Figure 1.5. Illustrative Projection of Dwellings Based on Proposed Tourism Framework



The Island average total land use, including all support activities for residential development that accompanies construction of one new hotel room, is estimated to be about six times the land required for hotel room and associated tourist use. It is for this reason that residential rather than hotel development is regarded as the primary consideration for assessing the sustainability of further tourist development in Aruba.

- **Taking average levels of employment in hotels, average job multipliers, number of residents per dwelling, then around 6,000 new rooms are required to meet the goals of the tourism Framework by 2045.**¹⁸

Three other issues related to sustainability are considered tentatively in Section 2. The first is the relative use by tourists and residents of energy and water – which, in addition to land are the most important ecological resources. The second is the production of waste, which

¹⁸ It is estimate that as many as 19,000 rooms could be accommodated. However, this is probably well beyond what is feasible in terms of other social, ecological, or tourist satisfaction concerns.

potentially poses significant amenity, run-off, and health problems. Third is the reduction in transportation by commuters, and through a redistribution of the Island's tourist activities.

Unfortunately, and despite the setting up of several departments including VROM,

- **There is almost no systematic information about the state of the environment in Aruba. A recent UNDP Report (2002) notes the almost total lack of information on ecological resources, carrying capacity, and the existing level of environmental stress in Aruba.¹⁹**

1.6. New Hotel Projects: Impact on Employment and Migration

Section 3 shows how, since the mid-1980s especially, the construction and operation of new hotels has resulted in the arrival of large numbers of new migrants. Over the last decade this migration, together with rising incomes of Arubans, has created the accelerated demand for housing. This section considers how decisions to develop specific styles of accommodation impact the Island in the short-run.

- **When a new hotel is constructed, the reduction in local unemployment depends on the number of unemployed and their ability and willingness to work, in relation to the number of jobs available. The larger the new project, at a given level of unemployment, the larger is the likelihood of further immigration.**

The following illustration shows how construction of large hotels drives up population growth in Aruba:

¹⁹ There are some partial inventories, for example, Nos Ambiente II: Polucion General di Aruba. Charuba, Aruba 1988.

On average 1 new hotel room in Aruba induces 4 new jobs:

- 1 job in hotel and casino
- 1 job in other tourism activities outside hotel
- 1 job elsewhere in private sector
- 1 job in public services (including education and similar services)

For a new up-market chain hotel each room provides:

- 1 job to an unemployed native-born Aruban (probably in protected sectors)
- 1 job to an already resident –migrant
- 2 jobs to new immigrants

Building more large new hotels will not solve the unemployment problem:

- It may make the long-run situation worse
- This is because, approximately 50% of all migrants settle in Aruba
- This is the main factor pushing population growth in Aruba
- After 15-20 years the children of settled migrants need jobs
- Again 4 jobs in total will have to be created to provide each of these new native-born Arubans with a job.

Over recent years, a combination of public subsidies exclusively to large hotels, a mismatch between Aruban workers and job opportunities, investment and occupancy driven investment has led to the tourist sector-driven population growth that has become the major factor in the environmental, social, and other pressures underlying present development in Aruba.

There are ways of addressing the problems posed above:

- **Build fewer or smaller hotels or make small additions to existing hotels**
- **Improve the match between the labor force and job opportunities (through awareness campaigns or training)**
- **Reduce the overall labor requirement by eliminating more tedious jobs and raising labor productivity in hotels and tourism generally**
- **Or, increase the number of higher quality jobs in downstream sectors (such as business services), etc.**

From an island perspective it is appropriate to sacrifice some economies of scale in order to reduce the repeated cycle of immigration. Moreover, there are other advantages, such as possibilities for greater inputs of local labor, entrepreneurship, and goods and services, as well as improved possibilities for revenue collection.

1.7. Tourism Development Strategies and Scenarios

Section 4 shows how specific policies may be systematically applied over the foreseeable future to promote key long-term development goals in Aruba. These goals are to:

- **Achieve full employment**
- **Raise incomes**
- **Reduce extreme fluctuations in the tourism sector**
- **Balance public sector accounts**
- **Coordinate with other policies**
- **Slow population growth through reduced immigration**
- **Achieve sustainability**

The strategies are explored for the years 2000-2045. This timescale (roughly two generations) is sufficient to explore the consequences past tourism expansion and immigration, and to evaluate the longer-run consequences of different tourism strategies in relation to the carrying capacity of the Island:

STRATEGY 1 – Continuing Recent Policy:

This strategy highlights the way in which a combination of processes that depend on the present structure of tourism in Aruba (a focus on large-scale hotels, a mismatch between the skills of the local labor and the jobs induced by tourism) leads to construction cycles in the tourism industry and new rounds of immigration that pump up the Island’s population towards the limits of sustainability.

STRATEGY 2 – Setting Unnecessarily High Growth Targets:

This strategy emphasizes the vulnerability of growth-targeted tourism development to variability in visitor markets, including business cycles and unscheduled events (such as 9/11). This has similar, but less predictable consequences to Strategy 1, which pushes the Island even more rapidly towards its limits. It also emphasizes that the Island can only afford to support its increasingly dependent labor force and contain unemployment through continued growth of tourism and increasing immigration.

STRATEGY 3 – Matching Growth to Aruban Needs:

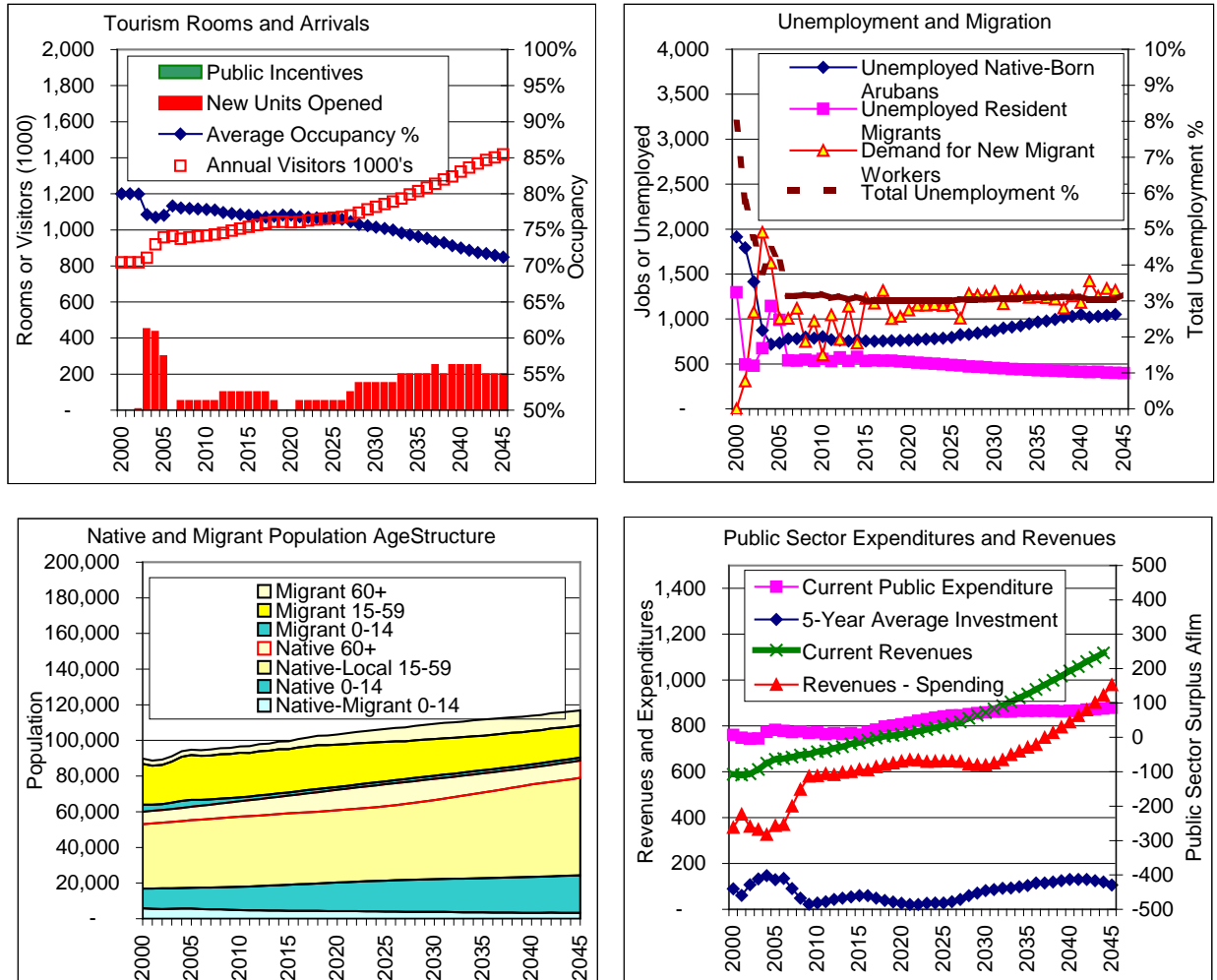
This strategy illustrates the possibilities and limitations of an Island-centered tourism policy based in part on a smaller-scale style of tourism. Section 4 shows this approach may be used to provide an overall favorable long-run outcome for the Island. Wherever possible, the recommendations have been coordinated with the policies outlined in the 2002 Visions Report. In addition to prioritizing local full employment and long-run sustainability, the additional policies relate to education

and training, public sector layoffs, migration, and modifications to some current projects.

Strategy 3 is the basis for the **Framework for Sustainable Tourism in Aruba** that is recommended in this Report. With this Strategy, over the entire period, the pace of development of the tourism sector is relatively smooth. In the short-term this is largely the result of coordination between public sector layoffs and speeded up construction. In the long-term it results from increased growth in the non-tourism sectors. This slows the demand for new tourism development. This will have an increasingly positive impact beyond the 2045 horizon. The overall trends are summarized in [Figure 1.6](#).

Strategy 3 has several other desirable qualities. Local unemployment is stabilized at a relatively low level. This is due largely to the slightly increased pace of tourism development that shields local workers from excessive fluctuations in labor demand, without excessively raising the pace of immigration. Moreover, although long-term settlement is reduced, the rotation of temporary migrants is quite steady. The long-run level of the resident population is kept below 120,000. Moreover, the strategy is comparatively effective in terms of reducing imbalances in public sector finances. In the short-run this is due to the reduced labor costs. Over the longer-run, public finances improve because the level of local-ownership is higher, and with this the possibilities for more successful tax collection.

Figure 1.6. An Aruban Needs Focused Strategy with Coordinated Policies



Indicators							
Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	101,688	8,385	77%	131%	75%	129%	-13%
2030	109,269	9,485	75%	172%	75%	142%	-9%
2045	116,852	12,635	71%	226%	75%	135%	13%

1.8. Managing Tourism Assets

Section 5 lays out the case for a more systematic management of tourism resources in Aruba that includes, but goes beyond, the simple principle of diversification to develop a more deliberately balanced portfolio of tourism products. The goal is to make the Island economy more robust to various shocks and cycles of the tourist market, and also to increase the income retained on the Island (as opposed to the amount spent by tourists). The same principles apply for reduction of risk and uncertainty for all actors and institutions in Aruba – hotels and other tourism businesses, tourists, employees, households, dependents, and government.

The last few years have demonstrated the consequences for unanticipated events such as epidemics, terrorist attacks, and the like, on tourist destinations such as Aruba. Although individual events cannot be anticipated in intensity or timing, the likelihood of such events occurring over the forthcoming decades is high. Such factors therefore have to be accounted for in developing a sustainable Framework, as well as more familiar variability from business or construction cycles.

The need to diversify tourism in Aruba (and indeed the economy at large) has long been recognized and in many respects has been rather successful, at least in terms of the Island-wide level and variability of occupancy rates. For example, timeshare balances transient accommodation (lower income but much less cyclical and quicker recovery from shocks). Similarly, low-rise accommodation balances high-rise (in terms of visitor origin and preference which helps to mitigate some market-based fluctuations). Thus, the present combination of accommodation offers a foundation for a robust portfolio. However, whilst Aruba's laudable high year-round occupancy reflects the undoubted quality of the Island's tourist product it also reflects large seasonal price adjustments.²⁰

²⁰ If annual revenue is compared to the (fanciful) situation of all rooms at 100% occupancy and sold at the high season rate, then as much as 60-70% of potential income is lost.

In considering the dimensions of diversity, several aspects are relevant. These are as follows:

Accommodation Diversity:

- Style of accommodation
- Type of management
- Type of ownership

Visitor Diversity:

- Origin of tourists
- Life stage of tourists
- Interests of tourists

Island Diversity:

- Regional base
- Cultural base

Access Diversity:

- Transportation
- Information

Temporal Diversity:

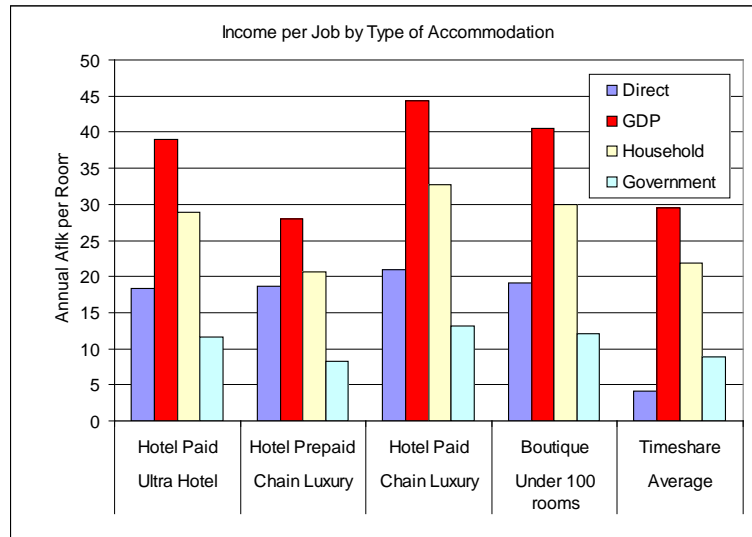
- Phasing of development
- Cyclical diversity
- Ad hoc fluctuations and shocks
- Coordination with other Island policy

Aruba is distinctive in the Caribbean both in terms of the proportion of properties that are operated or associated with major international hotel chains. Almost all large hotels have been owned or operated by major chains. These hotels serve an important function.²¹ Nonetheless, in order to develop a more balanced portfolio the Island should now evolve other styles of tourism. Over the last decades international chains have dramatically adjusted their portfolio in order to reduce overall risk and maintain flexibility. An equivalent Strategy for income generation and survival is recommended for tourism in Aruba.

A robust strategy balances the income and employment benefits of different types of accommodation against their vulnerability to cycles and shocks. Given the requirement to reduce population growth in order to achieve sustainability, it is most appropriate to measure the contribution of different types of tourism on the basis of income per additional job created, rather than as income per room, especially as there are considerable variations in the total number of jobs created per room. Figure 1.7 shows income per additional job for each type of accommodation to the tourism sector (direct income), the economy as a whole (GDP), households and government.

²¹ Chain hotels have advantage of marketing reach based on brand images, capable at capital raising, management, customer trends, access to technology, links to airlines, tour operators, and the like. This builds on their links to airlines, large marketing operations, investors, innovation, and sophisticated management, technical skills. They bring international quality standards of comfort and service. Chains serve a valuable role in introducing visitors to the island and brand loyalty helps here to bring first-time visitors to the Island.

Figure 1.7. Income per Job by Style of Accommodation



- Ultra hotels (i.e. above luxury standard) and boutique hotels perform well compared to luxury chain hotels or timeshare. This suggests that they should become a part of the portfolio of tourism products in Aruba.**

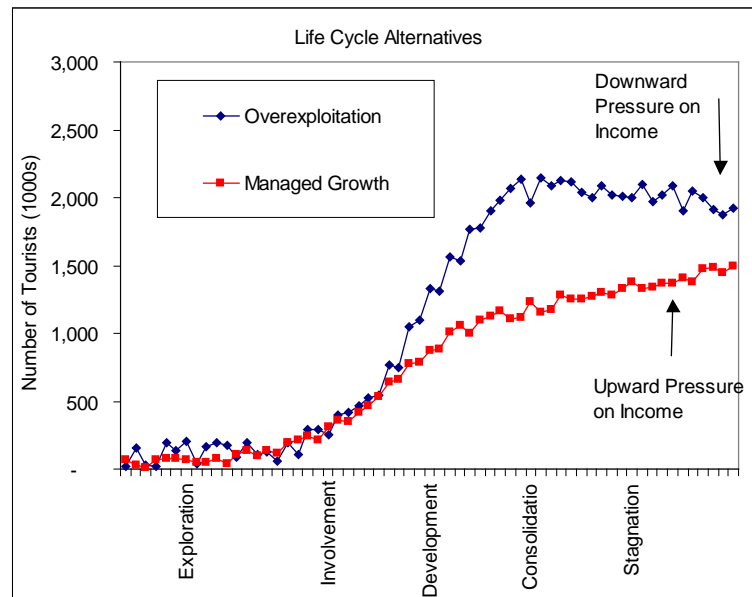
This is especially because, to some degree, both depend on exploitation of new markets and tourist assets and respond somewhat differently to market fluctuations. Section 5 compares the level and variability in the contribution of tourism to GDP when all accommodation is of a single type (luxury hotels) with the contribution from a “balanced” mix comprising equal numbers of luxury, timeshare, and boutique accommodation.²² The calculation shows that

²² Some of the difficulties traditionally associated with small-scale tourism such as marketing and transportation – such as those identified by the original Aruba Tourism Commission 50 years ago - are offset in Aruba through its present high level of industry and visitor participation. For example, the existing chain hotel base sufficient to introduce new visitors to the island, and to maintain airline support. Equally, existing small hotels the high word-of-mouth recommendation and high return rate, together with new opportunities for marketing through ATA and the Internet.

the balanced accommodation could provide a more stable income stream without greatly affecting the average level of income.

It is useful to consider tourism in Aruba, and indeed tourism in general, to comprise a succession of overlapping product life cycles. As with other dynamic sectors, tourism has adopted and diffused a succession of technological, geographic, social, and institutional innovations that collectively lead to improved competitiveness for innovating resorts or increased competition for others. In general, in this situation, the most profitable phase of development is whilst a product is in its “exclusive” phase. Insofar as it is possible to maintain this market condition, primarily through quality-enhancing improvements and by balancing supply and demand so as not to allow prices to fall overall, revenues will be enhanced. Conceptually, [Figure 1.8](#) illustrates the approach.

Figure 1.8. Managing Demand with Balanced Growth



Collectively, Sections 2 through 7, and also the analysis in Appendixes A and B, provide a strategy for future tourism developments in Aruba. This is consistent with the goals of the NTC and the 2003 National Tourism Conference.

The starting point for setting the pace and timing of development is to match growth of accommodation to the needs of the resident population. The rate of growth is set somewhat above that needed to maintain full-employment for several reasons, including to:

- **Maintain a dynamic tourism sector through new imported skills and know-how, productivity gains, local competition, and to ensure constant quality improvements.**
- **Maintain a cushion for residents against fluctuations in employment and income (from layoffs, cyclical effects, and shocks).**
- **Grow real incomes through productivity, multiplier effects, and quality improvements.**
- **Improve the skill match between resident job seekers and the jobs induced by tourism.**
- **Generate new opportunities for Aruban entrepreneurs and overseas investors.**
- **Generate government revenue from tourism sufficient to fully offset tourism-related expenditures (or balance the overall budget).**

- **Plus, in the short-run there is a need to find a way out of the present structural imbalance in Aruba without provoking another cycle of instability.**

The overall goals for the cultural and regional diversification recommendations that follow are:

- **To make better use of Aruba's diverse tourism potential through new tourism products.**
- **To develop new tourism areas across the Island.**
- **To develop distinct Island regions through the creation of discrete 'culture areas'.**
- **To allow concentrated accommodation additions sufficient to establish new regional centers at economically viable thresholds.**
- **To improve and consolidate existing tourism products within defined geographic areas (to limit urban sprawl and unnecessary travel whilst maintaining agglomeration and scale economies).**
- **To control the burden of tourism activities on the Islands natural environment.**

1.9. Diversifying Tourism by Culture and Region

Section 6 presents some recommendations for the enhancement of tourism in Aruba by culture, cultural products, and culture areas, and by geographic regions. It explains how the strategy of diversifying Aruba's tourism products and redirecting future growth of tourism away from the over-developed regions of the Island, can be expedited by taking advantage of the Island's under-used cultural and natural resources.²³

In developing a 'unique Aruban experience' it is necessary to look to the Island's own history, people, and culture.²⁴ Where possible, tourism products should draw from an authentic base of embedded cultural values and practices, and to the accomplishments, aptitudes and resources of the Aruban people. An authentically based product -- enriched, meaningful or entertaining -- would also increase the possibility for such products to achieve longevity. Another strategy for attaining durability is to attach projects, where appropriate, to existing spheres of everyday life; for example, to village social life, around some economic activity, or public festivity.

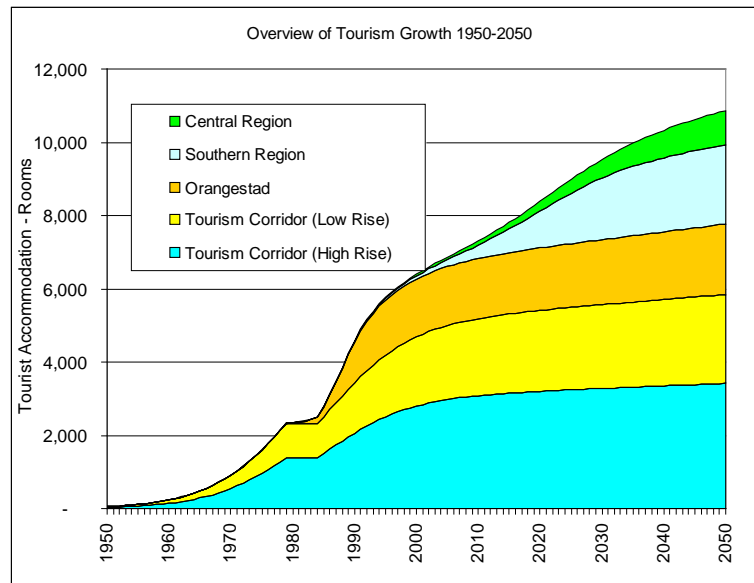
Three distinct Island regions (Noord, Santa Cruz, and San Nicolas) are identified for tourism development. Two of these will be developed also as 'culture areas' – Santa Cruz and San Nicolas. Santa Cruz will be represented as the 'folkloric' or 'traditional' heart of the Island, while the center of San Nicolas should be developed as 'an Afro-Caribbean town' and as 'the musical heart' of Aruba. In this way, each imparts a distinct ambience and authentic cultural flavor. Section 6 describes a number of specific products and projects in some detail in order to explain the principles for project selection. An extended list of proposed products and projects, with outline descriptions, locations, and rationales, is also given.

²³ Redistribution of tourism regionally brings other benefits, including a reduction in travel costs. In Section 2 it is estimated that between 1991 and 2000 Census of Population the average total distance traveled by commuters has risen by about 30% to an estimated 107 million km annually in 2000. Locating future tourism development at the southern end of the Island rather than in the Tourism Corridor could reduce the additional commuting induced by tourism over the next 40 years by as much as 42%, a reduction of 15 million km annually.

²⁴ Product Development: Proposed Annual Plan. Ministry of Tourism and Transportation. Jan. 2003.

The approximate level and timing of the expansion of tourism by major Island region is shown in Figure 1.9.

Figure 1.9. Time Frame for Tourism Development by Region



The recommendations for tourism development by geographic regions are as follows:

NOORD: Palm Beach, Arashi Beach, Druif to Urirama, Malmok, Noord Village, and Hadicurari Beach: Palm Beach is the most established tourist area in the tourism corridor. Although designated for high-rise hotels, the area now contains a mix of luxury, family, and timeshare accommodation of varying vintages and architectural styles. The area as a whole lacks stylistic coherence and several relevant recommendations of the Sasaki Plan are still outstanding.²⁵ The goal for this area is quality improvement in order to increase the income to the Island (workers, entrepreneurs, and public revenues) without greatly increasing the

²⁵ Aruba Tourism Development Plan. Sasaki Associates, Jan1983.

number of tourists or labor force (in order to slow the momentum of both internal and overseas migration) and to rationalize land-use and improve the visual aspect of the region.

A number of products and enhancements are recommended:

- Caiquetios Antiguos (public art project)
- Natural Pools (artificial)
- Walking/exercise path connectors from Malmok to Tamarijn
- Underwater Marine Park
- Ultra Hotel (*****)
- Las Canchas Condos
- The Romantic hotel (*****)
- Water Bungee Jumping Hadicurari Campground
- Hadicurari Beach Park
- J.E. Irausquin Blvd improvement
- Bubali Wildlife Park
- The Mediterranean (*****)
- The Global Village Resort (*****)
- Pueblo Living Village²⁶

ORANJESTAD WEST: Eagle Beach, Manchebo Beach, and Druif Beach: The beaches from Eagle, Manchebo to Druif traditionally have been designated as the low-rise area. Unlike Palm Beach, this area is developing a coherent visual aspect based on an emergent Dutch-Aruban style of architecture. With the advent of Divi Aruba's new golf course 'The Links', the quality of this area is improving overall as a tourism product. It is recommended that this area should maintain its orientation towards a European smaller

²⁶ The Pueblo Living Village is a shopping and entertainment complex which includes many site sub products: Pueblo Central Market, Theater Arubano, Wayaca Print Shop, Arashi Crafts, San Pueblo Pottery, Public Plaza, Aloe Café, Old Photo Studio, Arawak Botica, Cadushi Garden, Calabas mini-rancho, and an old fashioned Children=s Playground.

scale of tourism, with a family-orientation. Incremental additions to the number of rooms in existing establishments may be appropriate although this stretch also is reaching the limits of development.

Recommended products and enhancements:

- Wet and Wild Water Park
- Beach Bars between hotels
- Hotel Baseball League: ‘el Santaneros’ v ‘Aruba Iguanas’
- Eagle Beach rooms expansion
- Eagle Beach Condos
- Eagle Beach Campground
- Aruba National Museum of History, Culture, and Archaeology
- Delft Town Plaza
- Royal Dutch Town Hotel (*****)
- Wharfside Market enhancement
- Reface Madiki commercial buildings (Dutch) Lloyd Smith Blvd

ORANJESTAD EAST: Paardenbaai, Town Center, Bucuti: Oranjestad plays a central role in tourism as the major shopping center, as a historic and cultural center, as the port for cruise ship visitors, and increasingly for the location of hotel, timeshare, and new condominiums. With the redevelopment of the late 1980s, tourist activity was concentrated around the front harbor area with little spillover into the rest of the city. The aim is to attract visitors deeper into Oranjestad, both in terms of its history and culture, and to enhance the picturesque flavor of the city, without excessively increasing the burden on the Oranjestad region as a whole.

Recommended products and enhancements:

- Carnival Museum and Theater
- Historical Oranjestad Tour

- Reface Oranjestad buildings (Dutch-Aruban) in selected streets
- Main Street Plaza
- Airport route beautification

SANTA CRUZ: Santa Cruz, Arikok, and Boca Andicuri: Santa Cruz as a locale has not participated greatly in tourism but could gain economic and other benefits through participation in tourism. The region should be represented as the ‘folkloric heart’ of Aruba:

Recommended products and enhancements:

- Old Aruba Museum Village
- Folkloric Dance Night
- Arufest
- Santa Cruz Arts and Crafts Market
- Arikok Visitor Center
- Wild Coast Rides

SAVANETA: Santo Largo Beach area, and Savaneta Village: Savaneta is another historic district that benefits already to some degree from tourism, primarily through its well-established fish restaurants. This area should be developed into a resort area for culture-oriented visitors who enjoy mixing with local communities. The area has many facilities such as retail outlets, restaurants, and bars - sufficient for a less commercialized style of tourism. The Rooi Koochi area with old aloe fields, stonewalls, and scenic vistas is especially attractive for bicycling or hiking.

Products and enhancements recommended:

- Fisherman=s Wharf Hotel (****)
- Old Savaneta Seafront Village

SAN NICOLAS NORTH, SOUTH: Boca Grandi, San Nicolas Town:

There are several attractive beaches around San Nicolas and Seroe Colorado: Baby Beach, Rodgers Beach, Boca Grandi, Bachelors Beach, and Colorado Point Bay Beach. The style of development proposed would also add robustness to Aruba's mix of tourist products. The proposals for this Island region would use new tourism and related development to stimulate the San Nicolas area economy and boost employment. With increased economic activity and consequential population growth, this would stimulate suburbanization on previously developed terrain in, and adjacent to Seroe Colorado, reducing environmental pressure at the north end of the Island.

Recommended products:

- San Nicolas Ring Road
- Waves Beach Resort (****)
- Blue Surf Resort (****)
- Wind and Wave Sports Center
- San Nicolas Golf Club
- All Caribbean Music Festival
- San Nicolas Soca Festival
- All Caribbean Carnival
- Battle of the Bands
- Bus Station / Taxi Stand / Tourist Shuttle
- San Nicolas Central Market
- San Nicolas (quality) Shopping Mall with Multi-Screen Cinema
- Water Tower Refinery Museum
- The Music Quarter

SEROE COLORADO: Baby Beach, Rodgers Beach, Colorado Point Bay: Seroe

Colorado should be restored and developed as a cosmopolitan Mediterranean-style town that

be allowed to expand inland. Houses should be refurbished and/or rebuilt, and sold to residents.

Recommended products and enhancements:

- Refurbish Seroe Colorado residential housing
- Colorado Mini-Mall
- Colorado Hills Hotel (****)
- Colorado Retirement Condominiums
- Rogers Beach Marina
- Marina Restaurant and Sports Bar
- Marina Public Sports Facility
- Golden Dunes Resort (****)
- Blue Lagoon Resort (****)

1.10. A Framework for Planning

This report provides a framework for understanding tourism in Aruba and offers a direction for its future development. However, even if this direction were to be accepted it must be re-assessed and updated on a regular basis. This is the essence of strategic asset management. This can only be achieved effectively by ensuring that the ability to monitor, evaluate, and redirect tourism becomes embedded in the planning and policy structure of Aruba. It is apparent that the Island has relatively high quality statistics but less analytic capability.²⁷ Despite this, it should be stressed that Aruba probably has a comparative advantage over most other destinations both in terms of the superior management of the industry and its

²⁷ The Caribbean-wide situation has been summarized as follows by W. Momm, Director, ILO Caribbean Office ILO Tourism, 24th Annual Caribbean Tourism Conference. The first obstacle to analyze the situation is the difficulty to come to a clear definition and delineation of the sector. The second obstacle is the absence of reliable and sufficiently detailed and segregated data. The third obstacle is to determine the true size of those economic activities that - while not being part of the official tourism industry in the strict sense - depend nevertheless entirely or partially on the tourism sector.

empirical and analytic resources. If this information is properly used it becomes a valuable asset.

The tourism Framework assumes that policy coordination will be achieved and that a similar cooperation will arise between public and private entities via the NTC - through agreement on the broad strategy of a tourism Framework. The Vision report stresses the importance of coordinating policy across government departments, as this too is essential for the Framework to be implemented effectively.

The Visions Report also recommends that policies and their effectiveness be regularly monitored, evaluated, and adjusted. This is consistent with the proposed tourism Framework, which uses principles of strategic asset management to develop a robust portfolio of tourism products consistent with Aruba's environmental, demographic, and social needs and opportunities. General and specific aspects of these possibilities are given in documents provided by the departments of education, social affairs, land use and environment, and tourism.

There are obviously many departments and institutions in Aruba that are concerned directly or indirectly with tourism or whose activities directly or indirectly impact the sector. Nonetheless, until the establishment of the National Tourism Council, there has been no effort to bring together these various perspectives. Ad hoc conferences and occasional consultants' reports – usually driven by some immediate crisis – do not provide a sufficient basis for planning. Crisis management is an important component of planning, but hardly a viable long-run strategy. Much of the effort expended on reports is dissipated – reports are shelved or lost so the analysis and data collection must be repeated each time an issue is addressed, and the experience and skills of Arubans involved are wasted. If the Framework is to succeed then it must be established in a more formal manner. It is essential to develop a “look-out” capability for Aruban tourism planning, to maintain strategic alternatives, and to evaluate every new initiative within the overall objectives.

The NTC represents an important initiative in terms of developing a consensus across government departments concerned with tourism and some key sectors of the industry. Most important is that public-private cooperation has begun. However, the difficulties of the initiative have become evident over the course of the present project. On the one hand it is essential to have key players with the knowledge and insights and influence involved: on the other hand such people are incredibly busy and not able to devote the needed level of effort.²⁸ The need is to have access to their insights and influence but also have the capacity for the day-to-day tasks of data consolidation and analysis.

This might be formalized as an **Independent Commission**. The overall responsibility would be to advise on the broad directions for tourism on the Island and also help to ensure that goals are met. The members of the Commission would be invited by the Minister of Tourism or nominated by their respective organizations or co-opted by the Commission itself. In any case, it is recommended that the present membership be extended to include representatives of interest groups and organizations – labor, regional spokespersons, cultural groups, environmental organizations, small hotel and small business proprietors, and so on. The commission should be a permanent body that looks beyond short-run expediency to represent the long-term interests of the Island.

A **Tourism Analysis Unit** must support the commission. As a ‘think tank’, the Analysis Unit should have a professional staff drawing on institutions represented by the NTC. It should maintain a consistent database, monitor trends, and undertake high-quality analysis to establish the continuing knowledge required for strategic asset management. A primary task would be to cooperate in the preparation and updating of the Tourism Master Plan for the Island, as discussed below.

²⁸ This is certainly not intended as a criticism of NTC members. It is simply a fact of life that heads of government departments, trade organizations, government advisors, and the like already have full-time jobs.

To be successful the unit needs to have a wide range of inputs both in terms of statistics and perspectives. To some degree these needs are in conflict since much data are confidential and recognizing different perspectives means accepting criticism. Analysis needs to combine detailed insider knowledge of the local industry and Island with a broader understanding of the outside context. This affects institutional location of the Analysis Unit (university, ATA, ministry, or elsewhere.) Whatever the institutional location, it is important to make use of the know-how and analytic capacity in government departments, university, tourism school, industry organizations, central bank, development bank, environment groups, private consultants, and so on.

The goals for the Analysis Unit would be similar to those for the present project. The principle differences are:

- **That the Analysis Unit would advise the Independent Commission and cooperate with its member organizations on specific responsibilities identified below.**
- **That analysis should be on a continuing basis with regular monitoring and updating, as required, and**
- **That Arubans should carry out such analysis, preferably as a full-time commitment.**

The tasks of the Analysis Unit would include:

- **To Develop and Update Tourism Master Plan:** A next step in the implementation of the proposals is to prepare a Tourism Master plan that identifies the specific sites appropriate to the adopted project proposals or others to be developed. This requires,

that adequate *cadaster* data and current status of relevant terrain and land parcels become available.

- **To Consolidate Information:** Consolidate existing data of Aruba tourism organizations, government, consultant, academic, and agency materials (reports, websites, books, and journals, interviews). Similarly, consolidate information from International tourism organizations, government, consultant, academic, and international agency reports.
- **To Maintain a Long-Run Outlook:** The long run outlook for tourism in Aruba should be regularly reappraised. This is necessary to frame discussion about the future of the Island in the light of emerging economic, social, environmental possibilities, constraints, and goals. As circumstances change, this will determine the details of medium and short-term policies.
- **To Adjust the Medium-Run Strategy:** Evaluate trends and forecasts (such as continued globalization and consolidation of the industry), as foreseeable level of unpredictability (for example, demand fluctuations), and also to recognize the more apparent opportunities trends and constraints. The goal is to ensure that the Island maintains a robust, realistic, flexible, updateable Framework.
- **To Advise on Short-Run Policy:** Develop capability to assess individual projects and clusters of projects and contingencies in terms of their impact on economy (e.g. overall, secular, household, revenues), land use and environment (coastal beach, reefs, flora and fauna), infrastructure (roads, land, utilities), and social issue (demographic, cultural resources and change).
- **To Develop Analytic Tools:** Improve systems for data analysis and dissemination, forecasting and policy analysis. A first step would be to establish an inventory of

tourism assets, including opportunities in tourism resources, whether environmental, economic, infrastructural, social, or cultural, etc. and also the corresponding potential bottlenecks and limitations.²⁹

- **Training:** Improve training in relevant techniques including both quantitative and qualitative analysis methods, forecasting and scenario analysis, cadaster and GIS, spatial location, environmental accounting, focus groups, and survey analysis.

1.11. Institutional Tasks and Responsibilities

Adoption and implementation of the proposals set out in the Report implies certain responsibilities for the current member organizations of the NTC and others that might be co-opted. Most importantly, the Independent Commission and supporting Tourism Analysis Unit require extended support in order to carry out the tasks identified above. There has been considerable consensus among the NTC members on the main directions for the sustainability Framework for future tourism, but there are nonetheless outstanding issues that require further discussion and collaboration assuming that the broad goals of the tourism Framework are adopted. In some cases it appears that there could be a functional merging of organizations. In other cases greater cooperation is required where interests conflict or overlap. The key to cooperation here is for all involved to recognize that the sustainability of Aruba rests on the continued prosperity of residents; since it is the Arubans that have created the reputation of the Island as a genuinely safe, friendly, and reliable destination. To maintain this good reputation requires a professional industry, which monitors its standards of operation. Island security and environmental standards also must be improved and maintained.

²⁹ These should be assembled into a regularly updated set of national social-environmental accounts. These should adhere to international accounting recommendations but adapted to the needs and possibilities of the Island.

The following suggestions are intended to illustrate areas where progress could be made. In some areas immediate action is required for the master-planning phase of the new tourism Framework to begin. In others, the necessary expertise may be developed progressively over the next decades. Parenthetically, it is noted that many of these suggestions such as marketing and quality are warranted whatever future course is adopted for tourism in Aruba.

Accommodation of Representative Associations:

Transient and timeshare accommodation are currently represented by separate organizations (AHATA and the Aruba Timeshare Association), despite the fact that many properties operate in both markets. There are areas in marketing, security, scheduling, and quality assurance where cooperation is evident or should be expanded:

- **These organizations might consider merging or developing a more collaborative structure.**
- **Most important for the proposed Framework is that a means is found for including smaller properties in this new structure in an affordable, representative, and supportive fashion.³⁰**
- **It is necessary to reach agreement on disclosure of restricted information that is sufficient to enable evaluation of properties performance in terms of the strategic management of tourism assets overall.**

³⁰ A current but less satisfactory alternative for Aruba's small hotels, inns, holiday villas and apartments has been to join the Caribbean's Small Tourism Enterprises Project which can offer access to marketing, technology, management and finance services.

An important responsibility is for independent and chain operators to accept the need for a certain level of return to the public sector for infrastructure improvement, education, and public welfare if Aruba is to maintain its status as a premier resort.³¹ There may also be opportunities to address some of the cyclical demographic problems identified in this report through developing more flexible yet secure labor hiring arrangements between properties.

Aruba Tourism Authority:

The Aruba Tourism Authority can play the pivotal role in the success of the Framework by effective marketing and support for new initiatives. Current marketing plans should be evolved to detail the target markets for the new components of the Aruba Tourism portfolio. This involves providing specific marketing assistance to smaller accommodations and tourism-related businesses, such as web-page development, and providing the destinations-specific marketing and image creation for Aruba.³² The Authority should cooperate with the analysis unit to develop a directory of potential tourism assets. Together, in cooperation with the CBS, they also must establish a regularly updated and accessible database that permits the key dimensions of the Framework to be evaluated. Unless data are properly evaluated the Island cannot capitalize on its competitive advantage in data collection.³³

³¹ The following excerpt from a recent World Bank and European Union report is pertinent here for both sides of the equation. “As the owners of the sun, sea and sand resource, the populations of the Caribbean islands, through their governments, should be the beneficiaries of these rents – the rents are, in effect, payments for the use of the resources. The struggle between different actors in the tourism sector is often over whom captures the rents ... the question for government is therefore how to most effectively capture these rents. This question cannot be answered independently of the broader question of taxes and investment incentives, and to what extent governments must or should give incentive (in essence, giving away part of the rents) to actors in the tourism sector.” [World Bank/EU June 2000. Report 20453-LAC]

³² Marketing destinations, or destination branding has become an increasing aspect of resort tourism. While branding has been applied to consumer product categories for decades, the concept of destination branding only appeared in the mid-90s to assist them to compete more effectively in the intense competitive environment. See e.g. Benefits of Successful Destination Branding. W Baker. Destination Development Group.

³³ Much data are collected but then effectively ‘privatized’ within government departments and organizations well beyond the level in other democracies.

Surveys of tourists, such as departure and mail surveys should be redesigned to obtain more useful data, and to identify less stereotypical visitors' future desires and expectations as well as levels of satisfaction with their last experience with established activities. It is important to develop a means of assessing the cost-effectiveness of marketing among visitor cohorts and diverse types of promotion, including media advertising, direct mailing, festivals, airline subsidies, as well as performance monitoring through, for example, quality assurance programs.³⁴ Thus, marketing strategies can be adjusted to maintain visitor demand in relation to tourist accommodation and other assets.

Retail, Activity, and Other Business Organizations:

Many of the remarks above apply to all tourist-related activities in Aruba, but primarily the need to maintain a competitive professional industry. This includes quality assurance for all tourist related activities in retailing, restaurants, land and water sports, tours, entertainment, transport, and public facilities such as clean beaches and restrooms. In water and land-based sports and tours, professional standards of service, safety, and environment must be enforced. In retailing, visitors must be confident of the quality and provenance of their purchases. Eating and drinking establishments should comply with standards of hygiene and service. In a small economy with only a few “major players” it is important to assure all businesses – large and small - of fair and even treatment and to eliminate unfair business practices. Small and novice businesses should comply with regulations, but the goal should be to foster new entrepreneurs and initiatives in order to maintain a dynamic innovative tourism sector. Commercial banks and the Aruba Investment Bank should work with the analysis unit to develop financial products that support small and medium sized tourism-related businesses.

³⁴ Given the relatively marginal net contribution that some types of tourism in Aruba make to the public sector, some promotions via airlines and tourist operators are highly questionable, except under very specific and short-term conditions. Existing methods used by the ATA are inappropriate since they measure gross rather than marginal benefits of expenditures.

Environment:

The focus in this report on sustainable tourism in Aruba has yet again exposed the lack of information needed for either an overall evaluation of the Island's carrying capacity or information on the environmental impact of existing and new projects. This is especially important since Aruba may be closer to its growth limits than other territories in the Caribbean or elsewhere. It is crucial to develop criteria for environmental assessment and to prepare impact statements for major new initiatives (whether single large-scale projects or multiple small scale activities) and also for current operations that are believed to pose environmental or health risks to humans, sea and wildlife, and reefs, etc. Apparently, most of the laws needed for this are in place, but not enforced. Proposed sites for new accommodation, especially those in the vicinity of San Nicolas, should be individually evaluated. Designated nature areas and protected areas such as dunes and reefs should be adequately sign-posted and patrolled, ATV and other trails should be reconnoitered and marked, and access regulations enforced.

Education and Training:

Improving the match between jobs created and jobs offered through expansion of tourism has been identified as critical if Aruba is to develop a sustainable tourism Framework based on maintaining a relatively good standard of living, and reducing population growth. The Framework has to be supported through education at secondary and tertiary levels, and management and professional training:

- **At the tertiary level, the University of Aruba might develop a graduate program in Tourism Policy and Hospitality Management.**

The program should include both business management and economic development aspects of tourism.

- **At the intermediate level, the Tourism School should be the foundation of the employee training programs.**

However, larger hotels and timeshare might be required to ensure that a significant share (say 5%) of employees be in training.³⁵ This might be based on a public-private arrangement such as the Department of Social Affairs/Marriott Pathways to Independence program.

- **It is recommended also that a “tourism awareness” component be introduced into the general education of all students in Aruba, whatever their future careers.**

Given that directly or indirectly, tourism is likely to remain the primary source of income for Arubans, it is important for the younger generation to appreciate its social and economic role. They need to be aware of the opportunities for entrepreneurs and employees in tourism and downstream businesses, but also mindful of the inherent difficulties associated with tourism in small islands. Ultimately sensible public decisions about the industry will only be made if the population at large is well informed.

- **Specific to the Framework would be the establishment of a setting up of a vocational College of Arts and Crafts.**

This college would ensure that tourism-related products would reach the level and quality required to ensure a vigorous market demand. Talented students would be encouraged to develop products that reflect their own Island identity, and the Island’s historic and cultural epochs. Ultimately, this growing artistic sensibility will, over time, reflect the ‘*cultura di Aruba*’ through its products.

³⁵ This might be viewed as a PILOT (Payment in Lieu of Taxes) contribution to the Island similar to various security, promotion, and charitable contributions by businesses.

Coordinated and Consistent Public Policy Public:

The report shows that several of the problems with Aruba's tourism might be addressed through coordinated government actions for example, scheduling of public sector layoffs, training, and permits for new accommodation. Public sector employment provides a valuable safety net for Arubans in times of crisis (notably after Lago closed) but it also constrains Island-wide productivity and performance. Island-wide productivity might be enhanced through transferring public sector workers into tourism supportive activities via quasi-governmental organizations Arikok Foundation.

Financing the Tourism Framework:

Fulfilling the objective of this report to prepare a Framework for sustainable tourism in Aruba has required us to investigate wider issues of demography, environment, culture, and economy. As far as possible, the report attempts to mesh with proposals in other departments of government, finance, land-use, educations, and so on. It is suggested, therefore, that integrating the tourism Framework with other proposals may provide a multi-year program eligible for Dutch support via the Aruban Development Fund. A demonstration that the tourism Framework is overall viable and profitable may allow Aruban matching-funds to be generated through tax-increment financing or a similar arrangement. This would provide a financial base for many of the projects suggested in this report.

Sharing the Benefits, Burden, and Risks:

Tourism is one of the most profitable industries in the world (witnessed by its phenomenal growth) but it may also be one the most exploitative. The goal for Aruba is to ensure that all Arubans benefit from tourism and support the industry in a professional manner. The Framework requires that the Island slow the pace of growth whilst improving the tourist

experience – in other words to present Aruba as a restricted but highly desirable product. How Aruba tackles the present structural imbalance will determine the details, feasibility, and outcome of the proposed Framework.

A FRAMEWORK FOR SUSTAINABLE TOURISM IN ARUBA

CONFERENCE DRAFT NOVEMBER 2003

Prepared for the NATIONAL TOURISM COUNCIL OF ARUBA and the
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1. INTRODUCTION: TOWARDS A FRAMEWORK FOR SUSTAINABLE TOURISM IN ARUBA

1.1 The National Tourism Council

The first Aruba National Tourism Conference was held in July 2002. The objective of the Conference was to introduce the Minister of Tourism and Transportation's vision for the future of tourism in Aruba. This embodied the commitment to the industry to involve both the public and the private sectors in working together to implement strategic changes in Aruba's development, and to build and maintain the Island's future as a prime Caribbean destination. The participants at the Conference identified four areas or challenges for tourism:

- **Sustainable Development for Culture, Heritage, and Environment**
- **Quality Assurance, Standards, and Training Needs**
- **Safety and Security for Residents and Tourists**
- **Develop a Collaborative Public-Private Sector Partnership**

Following the Conference, in October 2002 the Minister of Tourism and Transportation officially installed a National Tourism Council (NTC).¹ The NTC currently includes members from the following departments and organizations:

Public Sector:

- Ministry of Tourism and Transportation
- Ministry of Labor, Culture and Sports
- Ministry of Public Health
- Ministry of Economic Affairs
- Ministry of Infrastructure and Social Affairs

¹ Ministry Messenger. Ministry of Tourism and Transportation. December 2002.

- Ministry of Education
- Aruba Tourism Authority

Private Sector:

- Aruba Merchants Association
- Chamber of Commerce
- Aruba Hotel and Tourism Association
- Aruba Timeshare Association
- St Nicolas Business Association
- Aruba Bankers Association

The primary task of the NTC has been to elaborate the goals indicated above and to establish a **Framework for Sustainable Tourism** development in Aruba (hereafter called the 'Framework'.) Broadly speaking, creating the framework has been divided into two stages: The first stage, substantively completed and described in this report, sets out the rationale, guidelines, and strategic approach. The second stage, partially completed, develops a **Tourism Master Plan** for the future of tourism as a schedule of specific tourism products, their locations across the Island, and detailed proposals for the marketing, costs, infrastructure, security arrangements, training, and other elements of the Framework. The report also identifies responsibilities for NTC member departments and organizations, and possible new institutions that would facilitate private-public sector collaboration and ensure that the Framework is monitored and updated in an appropriate and timely fashion.

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1.2. Background for the Framework

Some of the concerns expressed at the 2002 National Tourism Conference are of relatively long-standing in Aruba.² Others have arisen in the aftermath of the threefold expansion of tourism in the late 1980s. The latter was accompanied by high levels of new immigration to the Island and the accelerated growth of population, leading to urban sprawl and increasing erosion of the Island's natural landscape - primarily adjacent to the Island's Tourism Corridor and Oranjestad. Aruba already has one of the highest densities of tourism and population in the Caribbean (measured as visitors/resident population, or accommodation/area).³ Thus, the issues confronted by the NTC have to be set within the overarching question of "how far, and how fast tourism in Aruba could or should expand?"

Although questions of sustainability are often relegated to "over the horizon", the fact that the Island is so small, and the pace of growth so fast, requires that long-term constraints – those that are likely to greatly impact present residents and their children - are identified and incorporated into the Framework.

Aruba is widely recognized as a premier destination in the Caribbean and has enjoyed one of the fastest sustained rates of growth over a 50-year period in the region.⁴ Nonetheless, tourism in Aruba, as elsewhere, is vulnerable to downswings arising from economic depressions and political turmoil overseas. Recent years have demonstrated both. These events are especially disturbing for Aruba since tourism, directly and indirectly accounts for

² Questions about the limits of tourism growth in Aruba were raised, for example, in the 1981 IDAS Tourism Plan. The setting up of the Arikok National Park reflects concerns about loss of natural heritage, and so on.

³ See, for example, Guidance for Best Management Practices for Caribbean Coastal Tourism by Island Resources Foundation, St. Thomas, Virgin Islands, December 1996., and Caribbean Tourism Organization, 1995.

⁴ The WTTC (World Travel and Tourism Council, Impact of Travel and Tourism on Jobs and the Economy, 2002) ranks Aruba at 7th in the world in terms of tourism employment (38% of total) and 5th in terms of tourism investment (62.7% of total).

60-65% of GDP and 65-70% of employment.⁵ To reduce short-term instabilities requires that the Framework embody a strategic approach to managing the Island's tourism industry.

Tourism is acknowledged to be one of the largest and most internationalized of industries. Many reports by international tourism organizations point to the difficulties that this poses for small island nations.⁶ Across the Caribbean, Aruba has possibly the highest level of foreign investment and control.⁷ Overall, this relationship has enabled the Island to develop a competitive industry, but it has also meant that public and household income derived from tourism is less than some other competitor islands. Further, the Island has developed a rather homogeneous tourism product oriented to a limited segment of the North American market. Thus, Aruba has neglected other opportunities for "destination branding" based on authentic cultural experience and other local attributes that could provide a counterpoint to international chain hotel branding.

Aruba's success in tourism is attributed to its natural endowment of "sun, sand, and sea" which it shares with other tropical destinations. More especially it is attributed to the natural warmth and hospitality of the population that is attested to by visitor surveys, the high level of return visitors to the Island, and the enviably high rates of occupancy in the hotels.⁸ Aruba is widely recognized as a friendly, secure destination. One reason for this is that with relatively few exceptions Arubans enjoy high living standards, enviable welfare services, public security and so on, often exceeding those of visitors to the island. The challenge for

⁵ S. Cole. 2002. The Impact of Tourism on the Economy of Aruba. First National Tourism Conference. Oranjestad. July. 2002. The share varies from year to year depending principally on the number of visitors.

⁶ See, for example, *Tourism and the Environment in the Caribbean: An Economic Framework*. Caribbean Group for Cooperation in Economic Development. World Bank/EU June 2000. Report 20453-LAC.

⁷ See, for example, *Caribbean Hotel Trends*. Caribbean Tourism Organization. PKF. 1994 Edition.

⁸ See especially the Annual Tourism Profile of the Social Economics Statistics Division of the Central Bureau of Statistics. This includes the results of surveys from 1996 to 2002 including tourism expenditures, length and place of stay, and visitor satisfaction, etc.

the new tourism Framework in Aruba to protect these features, and maintain a high quality product that delivers sufficient and sustainable income.

The strength of the NTC initiative is that it builds upon the already established relatively high level of cooperation between the public and private sectors in Aruba. The Island's success is also founded on a relatively high degree of public participation beginning as early as 1947 with the setting up of the Aruba Tourism Commission.⁹ Public involvement continued through formal planning (such as the designation of the Tourism Corridor) and direct and indirect financial support.¹⁰ The Island has shown over the years that it has the ability to use tourism to counter adverse circumstances, although again this has contributed to difficulties, not least the present fiscal crisis confronting the Island government, and the rapid population growth. In arriving at its recommendations, the present report attempts to understand both the positive and adverse consequences of past policies.

To be successful the Framework must meet with broad agreement from all sectors and social groups. It is important to understand tourism in relation to identifiable needs, possibilities, and alternatives on an ongoing basis for the community as a whole. Further, there must be sufficient consensus and stability in terms of goals but sufficient flexibility to be able to respond to changed circumstances. In particular, the tourism industry must be able to plan over a reasonable investment horizon and the government needs to develop resources to support the industry. Also, the population at large needs to feel comfortable with the changes and know they will benefit from them. Moreover, it is necessary to balance short, medium, and long-run interests and possibilities.

⁹ See especially *The History of Tourism in Aruba (Draft)*. Aruba Tourism Authority. 2003.

¹⁰ The level of tourism planning is easily understated since the only substantive plan was the Aruba Tourism Development Plan. IDAS. 1981, and the 2002 First National Tourism Conference is the only initiative of this kind. However there have been numerous consultant reports and workshops on specific aspects of tourism in Aruba, several of which are acknowledged in the present report.

1.3. Overview of the Tourism Framework

The Framework proposed in this report requires that the Island slow the pace of growth whilst improving the tourist experience – in other words, to present Aruba as a restricted but highly desirable product. Although this may appear a daunting prospect, there is probably little other sustainable alternative.¹¹ In any case, the Island government already recognizes the need for significant change.¹²

The new Framework requires that tourism should be managed as a strategic asset in the interests of the Aruban community as a whole. Given the limited size of the Island in terms of geographic area, beaches and wilderness, and potential sites for tourism, there are upper-limits on the number of hotels that may be reasonably constructed. The most pressing constraint on tourism in Aruba is the limited availability of residential land. Since the demand for residential land is driven primarily by the growth of tourism and tourism-related immigration, the recommendation is made that the total level of tourist accommodation should not rise to more than about 12,000 rooms over the next 40 years.

This level would be sufficient to meet the foreseeable needs of Arubans and provide full employment of the resident labor force, improve the situation of public finance, achieve threshold scale economies, and maintain the dynamism of the industry. Typically, this would mean that no more than 50-100 rooms should be opened each year. For a variety of reasons, consistent with the overall goals of the tourism Framework, such as income capture and opportunities for local involvement - the preference is for small boutique style hotels. This does not preclude incremental expansion of existing chain hotels and timeshare, or construction of a small number of new larger properties, or redevelopment of existing

¹¹ It is possible to envisage, for example, that Aruba becomes a “Singapore of the Caribbean” or adopts a “Hawaii/Honolulu” style of regional development. Neither appears to be favored by Arubans. This is apparent, for example, from the Vision 2000 study prepared by the Aruba Quality Foundation and from interviews with NTC members and others undertaken for the present study.

¹² This is evidenced by the proposals in Vision, Courage, and Discipline. Financial and Economical Policies Document 2002-2005. Minister of Financial and Economic Affairs. August 2002.

properties. However, any larger scale development has to be carefully coordinated with other developments on the Island, in tourism or elsewhere.

The transition to a new strategy usually poses a major challenge for policy makers. This is because the need for a new strategy is often crisis-driven by immediate policy issues, such as high unemployment or government budget deficits, which are given higher priority than longer-run concerns, such as disappearing landscape and resources. Unfortunately, hasty solutions to short-run problems often conflict with longer-run goals. Whilst this could become the case in Aruba at the present time, the quandary may be reduced through adjustments in the scale and timing of new projects.¹³ Although, overall, and despite some setbacks, Aruba has been successful in using publicly subsidized large-scale tourism as a means to offset occasional high levels of structural unemployment. However, attending to the issue of long-term sustainability requires a new and more finely tuned approach.

Regional diversification of tourism is a central aspect of the proposed Framework, which is designed to address several objectives simultaneously. Specifically, regional diversification would make better use of Aruba's tourism potential through a variety of new tourism products and projects. This would include the improvement and consolidation of existing tourism products within defined geographic areas which would help to control the direct and indirect burden of tourism activities on already intensively developed areas, and from over-encroachment on the Island's natural environment.

The overall goal is to develop a strategic Framework that offers Aruba a means to develop a robust, flexible tourism development strategy. The proposed Framework aims to match expansion of tourism to changes in Aruban needs. The starting point for setting the pace and timing is to match the growth of accommodation to the growth of resident labor force in

¹³ To make projections, information on policies and trends in sectors that are not directly dependent on the tourism sector are required. A number of current Government of Aruba policy documents are used here. In particular, the Ministry of Finance and Economic Affairs report Vision, Courage, and Discipline (hereafter, the Visions Report) outlines approaches to diversification of the economy and revisions of the public revenue and spending.

order to maintain a dynamic high quality tourism sector, and provide an economic cushion for residents against cyclical effects, planned restructuring, and shocks. The Framework requires that the Island prepare for the future through initiation, growth, and maturation of tourist products in a planned sequence across the principal regions of the Island as indicated by emergent social and economic, environmental needs, and potential constraints.

In summary, concern that Aruba may be reaching its carrying capacity in terms of its ability to support a continued growth of tourism and population is central to the recommendations for the tourism Framework. An over-riding question for Aruba is how can the Island continue to extract a sufficient and stable level of income from a dynamic, competitive global industry when it is fast approaching its geographic and ecological limits?

The elements of the proposed Framework and the way that these address the goals for economic, social, cultural, and environmental sustainability set for the NTC are summarized by [Table 1.1](#) To facilitate the process of achieving the goals of the new Framework, and to enable better collection and analysis of relevant information, the proposals include recommendations to establish an Independent Tourism Commission and a supporting Tourism Analysis Unit.¹⁴

The detailed analyses of the issues discussed above are given in Sections 2 through 7 of this Report and the Appendixes. The remainder of this section summarizes the main findings and recommendations.

¹⁴ It is noted that several previous consultant reports have made similar recommendations. See, for example, the PKF/Arthur D. Little study - Strategic Marketing Plan for the Future Development of Tourism in Aruba. March 1987.

Table 1.1. How Elements of the Framework Further NTC Goals

GOALS	STRATEGIES					
	Slow Growth Rate to Match Aruban Needs	Regionally Distribute Tourist Rooms	Consolidate and Improve Existing Products	Evolve Additional Small-Scale Tourism	Develop New Culture-Based Activities	Manage Tourism as a Strategic Asset
Long-Run Environmental Sustainability	X	X				
Economic Well-Being and Sustainability			X	X	X	X
Enhance Culture and Heritage	X	X			X	
Limit Economic and Social Vulnerability		X	X	X		X

1.4. Historical Background

Figure 1.1 shows the growth of three key variables for international tourism in Aruba since its beginnings in the late 1950s. Several trends are evident. Throughout the time period, growth has been led by the development of relatively large blocks of accommodation at irregular intervals. The first hotels were developed to offset structural unemployment caused by the automation of the Lago refinery. The growth of visitors was relatively steady until the recession years of the early 1980s. The guarantee-driven construction boom following the final closing of Lago slowed with the moratorium on new construction in the early 1990s. Throughout the 1990s, the growth of arrivals was fueled by continued expansion of the US economy: ending with the current recession and the 9/11 tragedy. Most notable, from the mid-1960s average occupancy rates have remained enviably high, with periodic declines following each bout of construction and during recessions.

Figure 1.1. Long-Run Occupancy and Levels of Visitors and Accommodation in Aruba

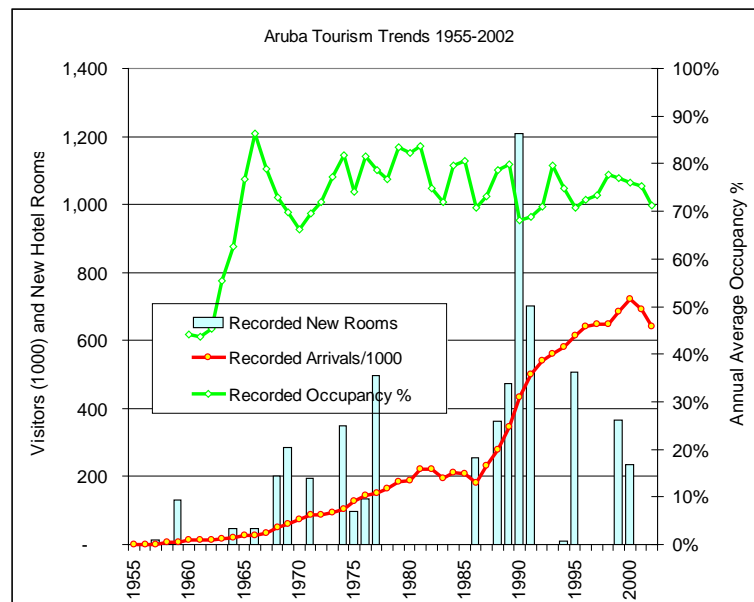
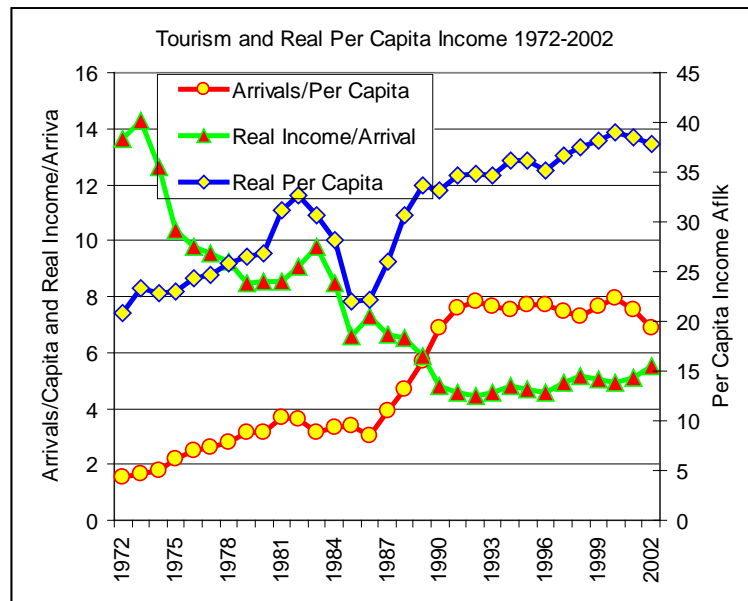


Figure 1.2 shows earnings from tourism per arrival and by per capita for the Aruban population.¹⁵ Real income per capita measured as deflated GDP/Population has grown steadily by about 2% since 1972 and continues at the same pace. Until 1990, real earnings per arrival fell steadily, although this is as much the result of the steady loss of jobs from the oil refinery. Most importantly, the real income per visitor began to rise after 1990. Much of this improvement appears to come from productivity improvements within the accommodation sector, and from the expansion of ancillary tourism activities and downstream linkages. It also reflects an institutional commitment to tourism and increasing recognition by the private sector that tourism is the major force driving the Island's economy. However, while this trend is notable, the per capita income from tourism in Aruba falls behind several other Caribbean islands.

Figure 1.2. Per Capita Income Compared to Tourist Arrivals 1972-2002

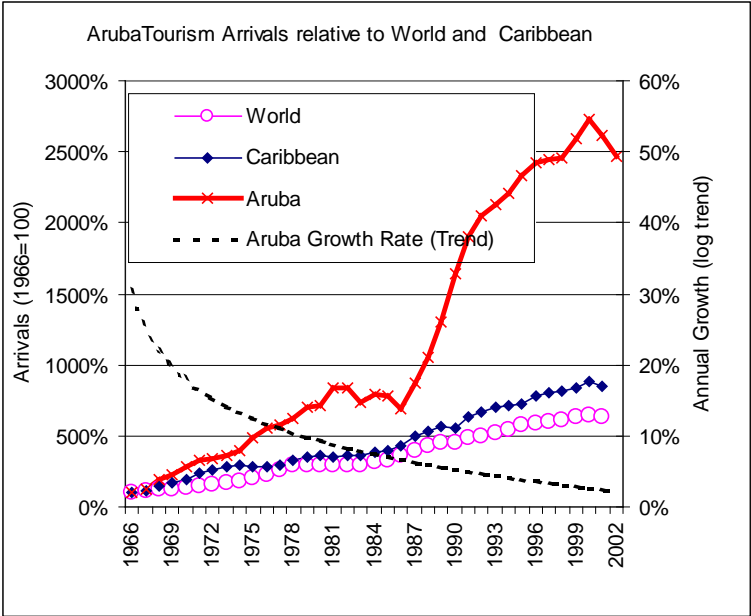


¹⁵ Data for some prior years are available. GDP per capita is a crude measure of the well being of the population that does not take account of income leakages from the Island. Household income is a somewhat better measure and this is used in the report to evaluate recent and proposed tourism projects.

Figure 1.3 shows the relative growth of arrivals to Aruba since the beginnings of international tourism compared to the rest of the Caribbean and the World.¹⁶ The chart shows that for almost the entire period the pace of growth of tourism has been faster than the average for the Caribbean and other international destinations. Over the last decade the pace of visitor growth has slowed to slightly above world average. While this trend may appear worrisome, projected average Caribbean growth rates by the CTO or WTO should not be seen as a challenge for Aruba to surpass. This development reflects number of factors, for example, the maturation of the tourism industry in Aruba, and the fact that resorts tend to grow faster during their early stages. Regional data reflect the combination of growth in other mature resorts similar to Aruba compounded by new and emerging destinations. Thus, the argument made in this report is that Aruba should aim for a rate of growth that provides for the needs of the resident population (including native-born Arubans and settled migrants) and that the foreseeable future does not jeopardize either the standard of living and quality of life for Arubans, or the tourism industry as the Island's primary source of income.

¹⁶ The scales here are indexed to 1966, the first year for which there are comparable data.

Figure 1.3. Arrivals to Aruba Compared to the Caribbean and the World



1.5. Population Growth, Land Use and Sustainability

This section, and those that follow, summarize the major sections of the report. A central question asked in Section 2 is, “how far can development proceed before the way of life enjoyed in Aruba is irretrievably threatened by over-development of the Island?”

- **Already, measured as hotel rooms/geographic area, the intensity of tourism in Aruba is among the highest in the Caribbean. Population density too is comparatively high.**

Although the expansion of tourism is driving the economy of Aruba, it is the growth of population rather than the growth of tourism that is the principal source of pressure on the available land. Unless increasing demands for residential land can be brought under control, other environmental concerns will be far more difficult to deal with. Therefore, limits of residential land occupation in Aruba can be used to assess the limits to growth in Aruba.

Over the last decades, the intensity of residential land use has increased dramatically across the northern half of the Island. Noord, Oranjestad and Santa Cruz are beginning to merge into a contiguous urban area. In contrast, there has been little increase in the intensity of land use at the southern end around San Nicolas. This pattern of land-use is shown in [Figure 1.4](#) that compares intensity of residential development in the 1960s with the present.

- **According to the Census 2000 there are 29,000 dwellings in Aruba. Given a continuation of existing suburban-style development in Aruba, about 85,000 new dwelling units could be built if all presently undeveloped land was used.**

This upper level of development would represent a total urbanization of the Island outside the protected and transition areas with densities similar to Dakota or Ponton. Much of this expansion would likely be in rural areas centered on Santa Cruz.

- **The proposed Framework for tourism in Aruba is designed to slow residential growth significantly and ensure that designated areas such as Arikok and the North Shore remain protected.**¹⁷
- **By 2045 the number of dwellings will have reached about 40,000, with a population of up to 120,000.**

¹⁷ The Ministry of Infrastructure and Social Affairs is drafting a new land-use plan for the Island that proposes that the Island be sub-divided according to five levels of land-use intensity: inner-urban, outer-urban, suburban, transitional zone, and protected areas (including Arikok).

The average intensity of land use would remain below 60% of the maximum level. With this overall level of development, the population could be distributed in a variety of ways. In order to, contain urban sprawl (and for other reasons considered below) the recommendation is to consolidate tourism in the Tourism Corridor and Oranjestad, and foster significant expansion in San Nicolas. The number of dwellings by district resulting from this illustrative land allocation is shown in Figure 1.5.

Figure 1.4. Intensity of Residential Land Use in Aruba 1960s and 2000

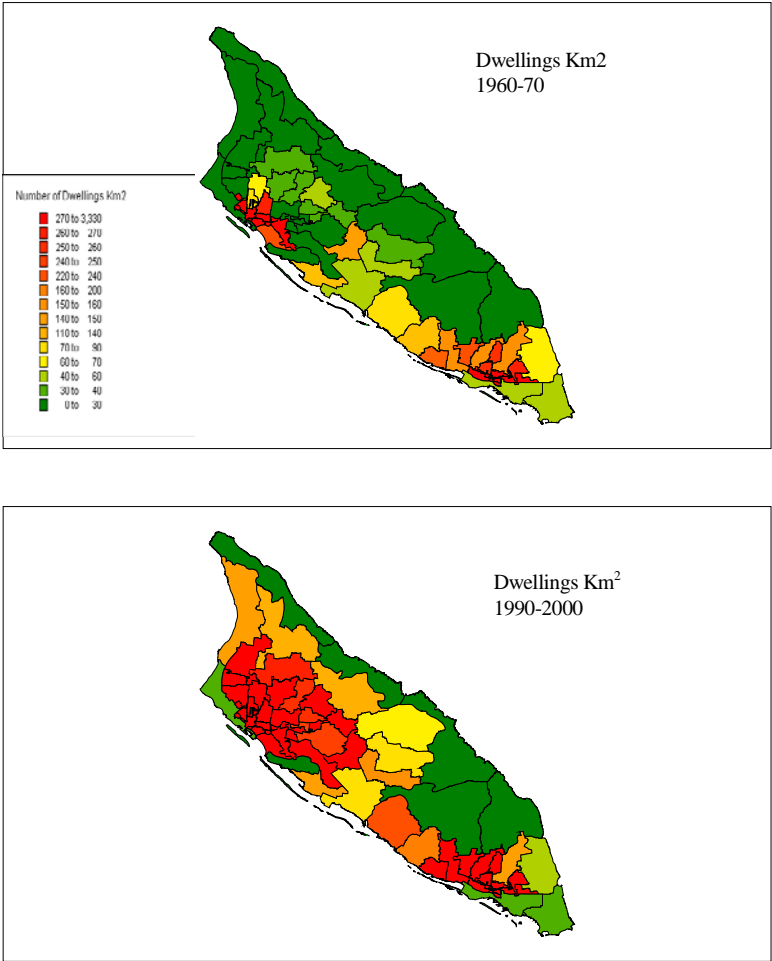
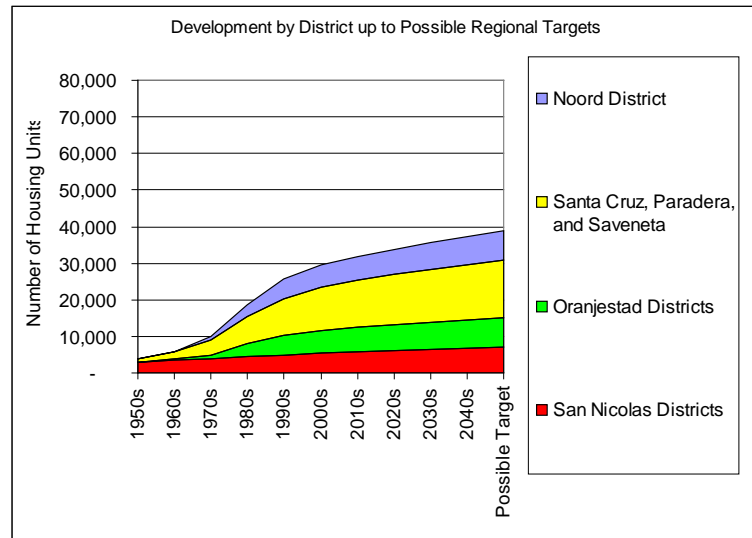


Figure 1.5. Illustrative Projection of Dwellings Based on Proposed Tourism Framework



The Island average total land use, including all support activities for residential development that accompanies construction of one new hotel room, is estimated to be about six times the land required for hotel room and associated tourist use. It is for this reason that residential rather than hotel development is regarded as the primary consideration for assessing the sustainability of further tourist development in Aruba.

- Taking average levels of employment in hotels, average job multipliers, number of residents per dwelling, then around 6,000 new rooms are required to meet the goals of the tourism Framework by 2045.¹⁸**

Three other issues related to sustainability are considered tentatively in Section 2. The first is the relative use by tourists and residents of energy and water – which, in addition to land are the most important ecological resources. The second is the production of waste, which

¹⁸ It is estimate that as many as 19,000 rooms could be accommodated. However, this is probably well beyond what is feasible in terms of other social, ecological, or tourist satisfaction concerns.

potentially poses significant amenity, run-off, and health problems. Third is the reduction in transportation by commuters, and through a redistribution of the Island's tourist activities.

Unfortunately, and despite the setting up of several departments including VROM,

- **There is almost no systematic information about the state of the environment in Aruba. A recent UNDP Report (2002) notes the almost total lack of information on ecological resources, carrying capacity, and the existing level of environmental stress in Aruba.¹⁹**

1.6. New Hotel Projects: Impact on Employment and Migration

Section 3 shows how, since the mid-1980s especially, the construction and operation of new hotels has resulted in the arrival of large numbers of new migrants. Over the last decade this migration, together with rising incomes of Arubans, has created the accelerated demand for housing. This section considers how decisions to develop specific styles of accommodation impact the Island in the short-run.

- **When a new hotel is constructed, the reduction in local unemployment depends on the number of unemployed and their ability and willingness to work, in relation to the number of jobs available. The larger the new project, at a given level of unemployment, the larger is the likelihood of further immigration.**

The following illustration shows how construction of large hotels drives up population growth in Aruba:

¹⁹ There are some partial inventories, for example, Nos Ambiente II: Polucion General di Aruba. Charuba, Aruba 1988.

On average 1 new hotel room in Aruba induces 4 new jobs:

- 1 job in hotel and casino
- 1 job in other tourism activities outside hotel
- 1 job elsewhere in private sector
- 1 job in public services (including education and similar services)

For a new up-market chain hotel each room provides:

- 1 job to an unemployed native-born Aruban (probably in protected sectors)
- 1 job to an already resident –migrant
- 2 jobs to new immigrants

Building more large new hotels will not solve the unemployment problem:

- It may make the long-run situation worse
- This is because, approximately 50% of all migrants settle in Aruba
- This is the main factor pushing population growth in Aruba
- After 15-20 years the children of settled migrants need jobs
- Again 4 jobs in total will have to be created to provide each of these new native-born Arubans with a job.

Over recent years, a combination of public subsidies exclusively to large hotels, a mismatch between Aruban workers and job opportunities, investment and occupancy driven investment has led to the tourist sector-driven population growth that has become the major factor in the environmental, social, and other pressures underlying present development in Aruba.

There are ways of addressing the problems posed above:

- **Build fewer or smaller hotels or make small additions to existing hotels**
- **Improve the match between the labor force and job opportunities (through awareness campaigns or training)**
- **Reduce the overall labor requirement by eliminating more tedious jobs and raising labor productivity in hotels and tourism generally**
- **Or, increase the number of higher quality jobs in downstream sectors (such as business services), etc.**

From an island perspective it is appropriate to sacrifice some economies of scale in order to reduce the repeated cycle of immigration. Moreover, there are other advantages, such as possibilities for greater inputs of local labor, entrepreneurship, and goods and services, as well as improved possibilities for revenue collection.

1.7. Tourism Development Strategies and Scenarios

Section 4 shows how specific policies may be systematically applied over the foreseeable future to promote key long-term development goals in Aruba. These goals are to:

- **Achieve full employment**
- **Raise incomes**
- **Reduce extreme fluctuations in the tourism sector**
- **Balance public sector accounts**
- **Coordinate with other policies**
- **Slow population growth through reduced immigration**
- **Achieve sustainability**

The strategies are explored for the years 2000-2045. This timescale (roughly two generations) is sufficient to explore the consequences past tourism expansion and immigration, and to evaluate the longer-run consequences of different tourism strategies in relation to the carrying capacity of the Island:

STRATEGY 1 – Continuing Recent Policy:

This strategy highlights the way in which a combination of processes that depend on the present structure of tourism in Aruba (a focus on large-scale hotels, a mismatch between the skills of the local labor and the jobs induced by tourism) leads to construction cycles in the tourism industry and new rounds of immigration that pump up the Island’s population towards the limits of sustainability.

STRATEGY 2 – Setting Unnecessarily High Growth Targets:

This strategy emphasizes the vulnerability of growth-targeted tourism development to variability in visitor markets, including business cycles and unscheduled events (such as 9/11). This has similar, but less predictable consequences to Strategy 1, which pushes the Island even more rapidly towards its limits. It also emphasizes that the Island can only afford to support its increasingly dependent labor force and contain unemployment through continued growth of tourism and increasing immigration.

STRATEGY 3 – Matching Growth to Aruban Needs:

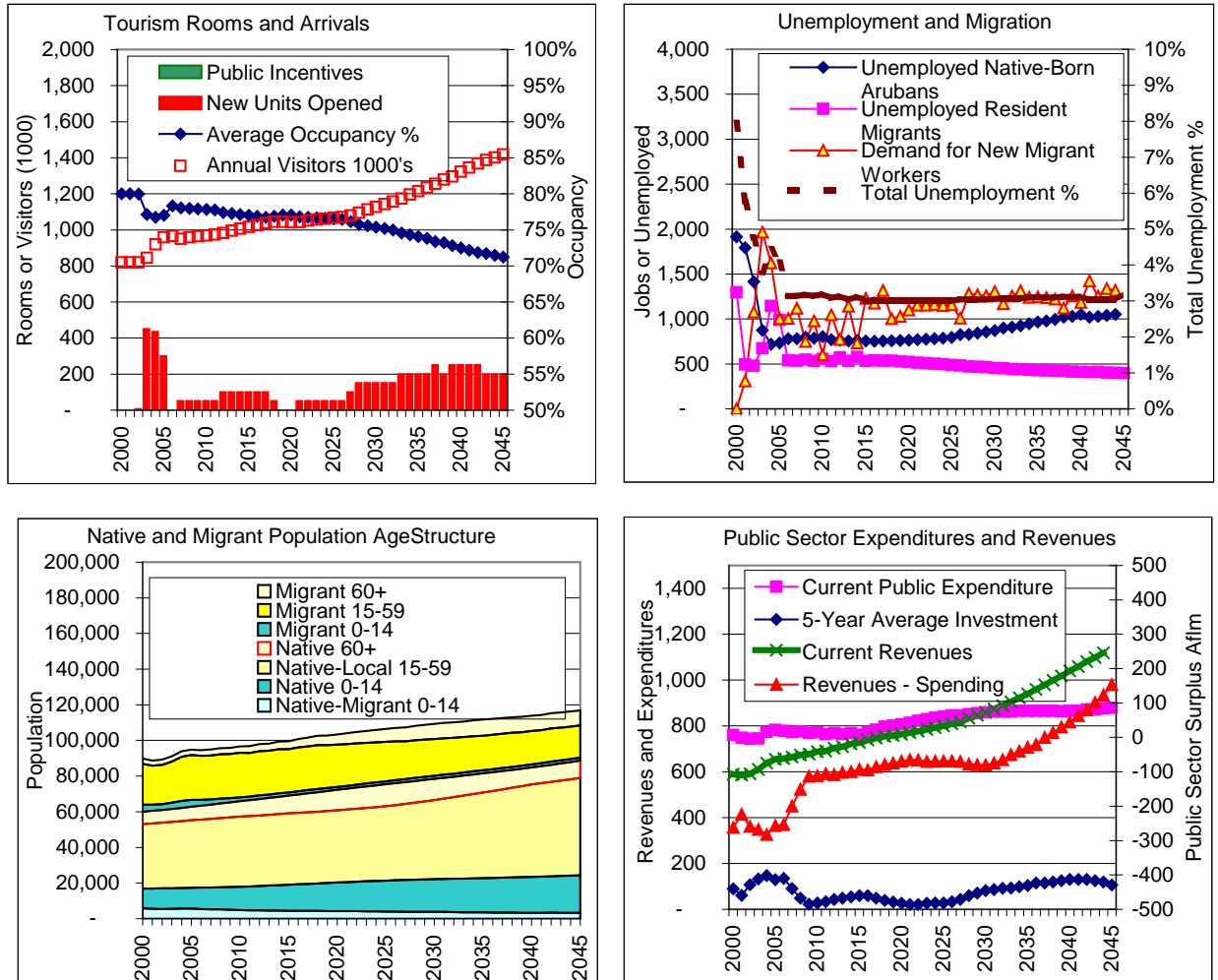
This strategy illustrates the possibilities and limitations of an Island-centered tourism policy based in part on a smaller-scale style of tourism. Section 4 shows this approach may be used to provide an overall favorable long-run outcome for the Island. Wherever possible, the recommendations have been coordinated with the policies outlined in the 2002 Visions Report. In addition to prioritizing local full employment and long-run sustainability, the additional policies relate to education

and training, public sector layoffs, migration, and modifications to some current projects.

Strategy 3 is the basis for the **Framework for Sustainable Tourism in Aruba** that is recommended in this Report. With this Strategy, over the entire period, the pace of development of the tourism sector is relatively smooth. In the short-term this is largely the result of coordination between public sector layoffs and speeded up construction. In the long-term it results from increased growth in the non-tourism sectors. This slows the demand for new tourism development. This will have an increasingly positive impact beyond the 2045 horizon. The overall trends are summarized in [Figure 1.6](#).

Strategy 3 has several other desirable qualities. Local unemployment is stabilized at a relatively low level. This is due largely to the slightly increased pace of tourism development that shields local workers from excessive fluctuations in labor demand, without excessively raising the pace of immigration. Moreover, although long-term settlement is reduced, the rotation of temporary migrants is quite steady. The long-run level of the resident population is kept below 120,000. Moreover, the strategy is comparatively effective in terms of reducing imbalances in public sector finances. In the short-run this is due to the reduced labor costs. Over the longer-run, public finances improve because the level of local-ownership is higher, and with this the possibilities for more successful tax collection.

Figure 1.6. An Aruban Needs Focused Strategy with Coordinated Policies



Indicators							
Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	101,688	8,385	77%	131%	75%	129%	-13%
2030	109,269	9,485	75%	172%	75%	142%	-9%
2045	116,852	12,635	71%	226%	75%	135%	13%

1.8. Managing Tourism Assets

Section 5 lays out the case for a more systematic management of tourism resources in Aruba that includes, but goes beyond, the simple principle of diversification to develop a more deliberately balanced portfolio of tourism products. The goal is to make the Island economy more robust to various shocks and cycles of the tourist market, and also to increase the income retained on the Island (as opposed to the amount spent by tourists). The same principles apply for reduction of risk and uncertainty for all actors and institutions in Aruba – hotels and other tourism businesses, tourists, employees, households, dependents, and government.

The last few years have demonstrated the consequences for unanticipated events such as epidemics, terrorist attacks, and the like, on tourist destinations such as Aruba. Although individual events cannot be anticipated in intensity or timing, the likelihood of such events occurring over the forthcoming decades is high. Such factors therefore have to be accounted for in developing a sustainable Framework, as well as more familiar variability from business or construction cycles.

The need to diversify tourism in Aruba (and indeed the economy at large) has long been recognized and in many respects has been rather successful, at least in terms of the Island-wide level and variability of occupancy rates. For example, timeshare balances transient accommodation (lower income but much less cyclical and quicker recovery from shocks). Similarly, low-rise accommodation balances high-rise (in terms of visitor origin and preference which helps to mitigate some market-based fluctuations). Thus, the present combination of accommodation offers a foundation for a robust portfolio. However, whilst Aruba's laudable high year-round occupancy reflects the undoubted quality of the Island's tourist product it also reflects large seasonal price adjustments.²⁰

²⁰ If annual revenue is compared to the (fanciful) situation of all rooms at 100% occupancy and sold at the high season rate, then as much as 60-70% of potential income is lost.

In considering the dimensions of diversity, several aspects are relevant. These are as follows:

Accommodation Diversity:

- Style of accommodation
- Type of management
- Type of ownership

Visitor Diversity:

- Origin of tourists
- Life stage of tourists
- Interests of tourists

Island Diversity:

- Regional base
- Cultural base

Access Diversity:

- Transportation
- Information

Temporal Diversity:

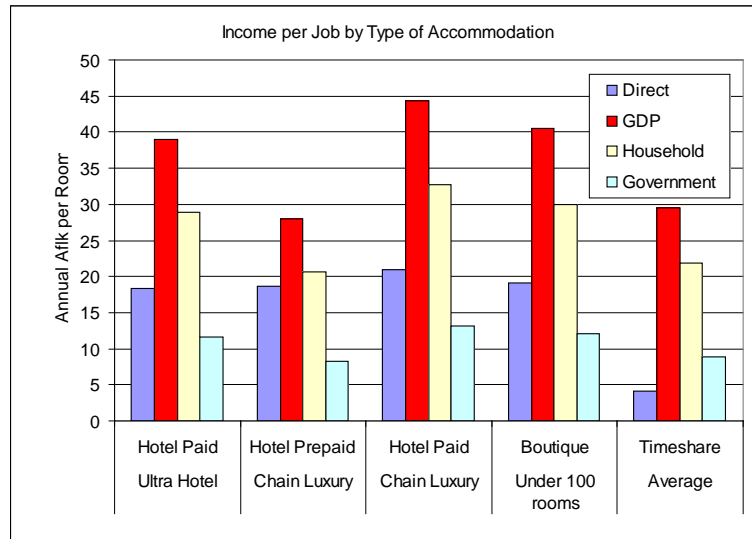
- Phasing of development
- Cyclical diversity
- Ad hoc fluctuations and shocks
- Coordination with other Island policy

Aruba is distinctive in the Caribbean both in terms of the proportion of properties that are operated or associated with major international hotel chains. Almost all large hotels have been owned or operated by major chains. These hotels serve an important function.²¹ Nonetheless, in order to develop a more balanced portfolio the Island should now evolve other styles of tourism. Over the last decades international chains have dramatically adjusted their portfolio in order to reduce overall risk and maintain flexibility. An equivalent Strategy for income generation and survival is recommended for tourism in Aruba.

A robust strategy balances the income and employment benefits of different types of accommodation against their vulnerability to cycles and shocks. Given the requirement to reduce population growth in order to achieve sustainability, it is most appropriate to measure the contribution of different types of tourism on the basis of income per additional job created, rather than as income per room, especially as there are considerable variations in the total number of jobs created per room. Figure 1.7 shows income per additional job for each type of accommodation to the tourism sector (direct income), the economy as a whole (GDP), households and government.

²¹ Chain hotels have advantage of marketing reach based on brand images, capable at capital raising, management, customer trends, access to technology, links to airlines, tour operators, and the like. This builds on their links to airlines, large marketing operations, investors, innovation, and sophisticated management, technical skills. They bring international quality standards of comfort and service. Chains serve a valuable role in introducing visitors to the island and brand loyalty helps here to bring first-time visitors to the Island.

Figure 1.7. Income per Job by Style of Accommodation



- Ultra hotels (i.e. above luxury standard) and boutique hotels perform well compared to luxury chain hotels or timeshare. This suggests that they should become a part of the portfolio of tourism products in Aruba.**

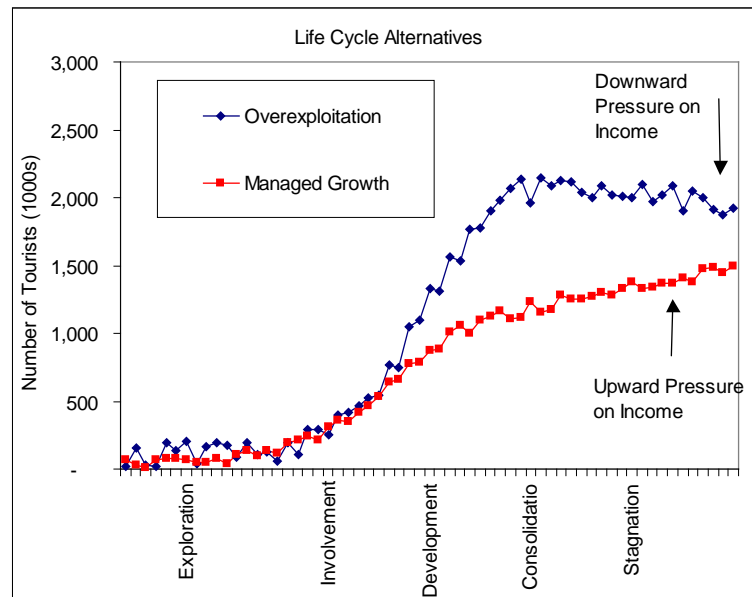
This is especially because, to some degree, both depend on exploitation of new markets and tourist assets and respond somewhat differently to market fluctuations. Section 5 compares the level and variability in the contribution of tourism to GDP when all accommodation is of a single type (luxury hotels) with the contribution from a “balanced” mix comprising equal numbers of luxury, timeshare, and boutique accommodation.²² The calculation shows that

²² Some of the difficulties traditionally associated with small-scale tourism such as marketing and transportation – such as those identified by the original Aruba Tourism Commission 50 years ago - are offset in Aruba through its present high level of industry and visitor participation. For example, the existing chain hotel base sufficient to introduce new visitors to the island, and to maintain airline support. Equally, existing small hotels the high word-of-mouth recommendation and high return rate, together with new opportunities for marketing through ATA and the Internet.

the balanced accommodation could provide a more stable income stream without greatly affecting the average level of income.

It is useful to consider tourism in Aruba, and indeed tourism in general, to comprise a succession of overlapping product life cycles. As with other dynamic sectors, tourism has adopted and diffused a succession of technological, geographic, social, and institutional innovations that collectively lead to improved competitiveness for innovating resorts or increased competition for others. In general, in this situation, the most profitable phase of development is whilst a product is in its “exclusive” phase. Insofar as it is possible to maintain this market condition, primarily through quality-enhancing improvements and by balancing supply and demand so as not to allow prices to fall overall, revenues will be enhanced. Conceptually, [Figure 1.8](#) illustrates the approach.

Figure 1.8. Managing Demand with Balanced Growth



Collectively, Sections 2 through 7, and also the analysis in Appendixes A and B, provide a strategy for future tourism developments in Aruba. This is consistent with the goals of the NTC and the 2003 National Tourism Conference.

The starting point for setting the pace and timing of development is to match growth of accommodation to the needs of the resident population. The rate of growth is set somewhat above that needed to maintain full-employment for several reasons, including to:

- **Maintain a dynamic tourism sector through new imported skills and know-how, productivity gains, local competition, and to ensure constant quality improvements.**
- **Maintain a cushion for residents against fluctuations in employment and income (from layoffs, cyclical effects, and shocks).**
- **Grow real incomes through productivity, multiplier effects, and quality improvements.**
- **Improve the skill match between resident job seekers and the jobs induced by tourism.**
- **Generate new opportunities for Aruban entrepreneurs and overseas investors.**
- **Generate government revenue from tourism sufficient to fully offset tourism-related expenditures (or balance the overall budget).**

- **Plus, in the short-run there is a need to find a way out of the present structural imbalance in Aruba without provoking another cycle of instability.**

The overall goals for the cultural and regional diversification recommendations that follow are:

- **To make better use of Aruba's diverse tourism potential through new tourism products.**
- **To develop new tourism areas across the Island.**
- **To develop distinct Island regions through the creation of discrete 'culture areas'.**
- **To allow concentrated accommodation additions sufficient to establish new regional centers at economically viable thresholds.**
- **To improve and consolidate existing tourism products within defined geographic areas (to limit urban sprawl and unnecessary travel whilst maintaining agglomeration and scale economies).**
- **To control the burden of tourism activities on the Islands natural environment.**

1.9. Diversifying Tourism by Culture and Region

Section 6 presents some recommendations for the enhancement of tourism in Aruba by culture, cultural products, and culture areas, and by geographic regions. It explains how the strategy of diversifying Aruba's tourism products and redirecting future growth of tourism away from the over-developed regions of the Island, can be expedited by taking advantage of the Island's under-used cultural and natural resources.²³

In developing a 'unique Aruban experience' it is necessary to look to the Island's own history, people, and culture.²⁴ Where possible, tourism products should draw from an authentic base of embedded cultural values and practices, and to the accomplishments, aptitudes and resources of the Aruban people. An authentically based product -- enriched, meaningful or entertaining -- would also increase the possibility for such products to achieve longevity. Another strategy for attaining durability is to attach projects, where appropriate, to existing spheres of everyday life; for example, to village social life, around some economic activity, or public festivity.

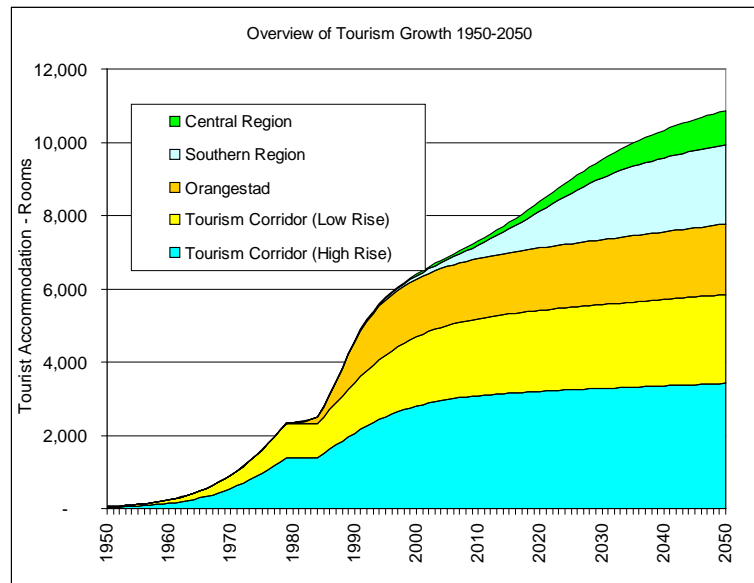
Three distinct Island regions (Noord, Santa Cruz, and San Nicolas) are identified for tourism development. Two of these will be developed also as 'culture areas' – Santa Cruz and San Nicolas. Santa Cruz will be represented as the 'folkloric' or 'traditional' heart of the Island, while the center of San Nicolas should be developed as 'an Afro-Caribbean town' and as 'the musical heart' of Aruba. In this way, each imparts a distinct ambience and authentic cultural flavor. Section 6 describes a number of specific products and projects in some detail in order to explain the principles for project selection. An extended list of proposed products and projects, with outline descriptions, locations, and rationales, is also given.

²³ Redistribution of tourism regionally brings other benefits, including a reduction in travel costs. In Section 2 it is estimated that between 1991 and 2000 Census of Population the average total distance traveled by commuters has risen by about 30% to an estimated 107 million km annually in 2000. Locating future tourism development at the southern end of the Island rather than in the Tourism Corridor could reduce the additional commuting induced by tourism over the next 40 years by as much as 42%, a reduction of 15 million km annually.

²⁴ Product Development: Proposed Annual Plan. Ministry of Tourism and Transportation. Jan. 2003.

The approximate level and timing of the expansion of tourism by major Island region is shown in Figure 1.9.

Figure 1.9. Time Frame for Tourism Development by Region



The recommendations for tourism development by geographic regions are as follows:

NOORD: Palm Beach, Arashi Beach, Druif to Urirama, Malmok, Noord Village, and Hadicurari Beach: Palm Beach is the most established tourist area in the tourism corridor. Although designated for high-rise hotels, the area now contains a mix of luxury, family, and timeshare accommodation of varying vintages and architectural styles. The area as a whole lacks stylistic coherence and several relevant recommendations of the Sasaki Plan are still outstanding.²⁵ The goal for this area is quality improvement in order to increase the income to the Island (workers, entrepreneurs, and public revenues) without greatly increasing the

²⁵ Aruba Tourism Development Plan. Sasaki Associates, Jan1983.

number of tourists or labor force (in order to slow the momentum of both internal and overseas migration) and to rationalize land-use and improve the visual aspect of the region.

A number of products and enhancements are recommended:

- Caiquetios Antiguos (public art project)
- Natural Pools (artificial)
- Walking/exercise path connectors from Malmok to Tamarijn
- Underwater Marine Park
- Ultra Hotel (*****)
- Las Canchas Condos
- The Romantic hotel (*****)
- Water Bungee Jumping Hadicurari Campground
- Hadicurari Beach Park
- J.E. Irausquin Blvd improvement
- Bubali Wildlife Park
- The Mediterranean (*****)
- The Global Village Resort (*****)
- Pueblo Living Village²⁶

ORANJESTAD WEST: Eagle Beach, Manchebo Beach, and Druif Beach: The beaches from Eagle, Manchebo to Druif traditionally have been designated as the low-rise area. Unlike Palm Beach, this area is developing a coherent visual aspect based on an emergent Dutch-Aruban style of architecture. With the advent of Divi Aruba's new golf course 'The Links', the quality of this area is improving overall as a tourism product. It is recommended that this area should maintain its orientation towards a European smaller

²⁶ The Pueblo Living Village is a shopping and entertainment complex which includes many site sub products: Pueblo Central Market, Theater Arubano, Wayaca Print Shop, Arashi Crafts, San Pueblo Pottery, Public Plaza, Aloe Café, Old Photo Studio, Arawak Botica, Cadushi Garden, Calabas mini-rancho, and an old fashioned Children=s Playground.

scale of tourism, with a family-orientation. Incremental additions to the number of rooms in existing establishments may be appropriate although this stretch also is reaching the limits of development.

Recommended products and enhancements:

- Wet and Wild Water Park
- Beach Bars between hotels
- Hotel Baseball League: ‘el Santaneros’ v ‘Aruba Iguanas’
- Eagle Beach rooms expansion
- Eagle Beach Condos
- Eagle Beach Campground
- Aruba National Museum of History, Culture, and Archaeology
- Delft Town Plaza
- Royal Dutch Town Hotel (*****)
- Wharfside Market enhancement
- Reface Madiki commercial buildings (Dutch) Lloyd Smith Blvd

ORANJESTAD EAST: Paardenbaai, Town Center, Bucuti: Oranjestad plays a central role in tourism as the major shopping center, as a historic and cultural center, as the port for cruise ship visitors, and increasingly for the location of hotel, timeshare, and new condominiums. With the redevelopment of the late 1980s, tourist activity was concentrated around the front harbor area with little spillover into the rest of the city. The aim is to attract visitors deeper into Oranjestad, both in terms of its history and culture, and to enhance the picturesque flavor of the city, without excessively increasing the burden on the Oranjestad region as a whole.

Recommended products and enhancements:

- Carnival Museum and Theater
- Historical Oranjestad Tour

- Reface Oranjestad buildings (Dutch-Aruban) in selected streets
- Main Street Plaza
- Airport route beautification

SANTA CRUZ: Santa Cruz, Arikok, and Boca Andicuri: Santa Cruz as a locale has not participated greatly in tourism but could gain economic and other benefits through participation in tourism. The region should be represented as the ‘folkloric heart’ of Aruba:

Recommended products and enhancements:

- Old Aruba Museum Village
- Folkloric Dance Night
- Arufest
- Santa Cruz Arts and Crafts Market
- Arikok Visitor Center
- Wild Coast Rides

SAVANETA: Santo Largo Beach area, and Savaneta Village: Savaneta is another historic district that benefits already to some degree from tourism, primarily through its well-established fish restaurants. This area should be developed into a resort area for culture-oriented visitors who enjoy mixing with local communities. The area has many facilities such as retail outlets, restaurants, and bars - sufficient for a less commercialized style of tourism. The Rooi Koochi area with old aloe fields, stonewalls, and scenic vistas is especially attractive for bicycling or hiking.

Products and enhancements recommended:

- Fisherman=s Wharf Hotel (****)
- Old Savaneta Seafront Village

SAN NICOLAS NORTH, SOUTH: Boca Grandi, San Nicolas Town:

There are several attractive beaches around San Nicolas and Seroe Colorado: Baby Beach, Rodgers Beach, Boca Grandi, Bachelors Beach, and Colorado Point Bay Beach. The style of development proposed would also add robustness to Aruba's mix of tourist products. The proposals for this Island region would use new tourism and related development to stimulate the San Nicolas area economy and boost employment. With increased economic activity and consequential population growth, this would stimulate suburbanization on previously developed terrain in, and adjacent to Seroe Colorado, reducing environmental pressure at the north end of the Island.

Recommended products:

- San Nicolas Ring Road
- Waves Beach Resort (****)
- Blue Surf Resort (****)
- Wind and Wave Sports Center
- San Nicolas Golf Club
- All Caribbean Music Festival
- San Nicolas Soca Festival
- All Caribbean Carnival
- Battle of the Bands
- Bus Station / Taxi Stand / Tourist Shuttle
- San Nicolas Central Market
- San Nicolas (quality) Shopping Mall with Multi-Screen Cinema
- Water Tower Refinery Museum
- The Music Quarter

SEROE COLORADO: Baby Beach, Rodgers Beach, Colorado Point Bay: Seroe

Colorado should be restored and developed as a cosmopolitan Mediterranean-style town that

be allowed to expand inland. Houses should be refurbished and/or rebuilt, and sold to residents.

Recommended products and enhancements:

- Refurbish Seroe Colorado residential housing
- Colorado Mini-Mall
- Colorado Hills Hotel (****)
- Colorado Retirement Condominiums
- Rogers Beach Marina
- Marina Restaurant and Sports Bar
- Marina Public Sports Facility
- Golden Dunes Resort (****)
- Blue Lagoon Resort (****)

1.10. A Framework for Planning

This report provides a framework for understanding tourism in Aruba and offers a direction for its future development. However, even if this direction were to be accepted it must be re-assessed and updated on a regular basis. This is the essence of strategic asset management. This can only be achieved effectively by ensuring that the ability to monitor, evaluate, and redirect tourism becomes embedded in the planning and policy structure of Aruba. It is apparent that the Island has relatively high quality statistics but less analytic capability.²⁷ Despite this, it should be stressed that Aruba probably has a comparative advantage over most other destinations both in terms of the superior management of the industry and its

²⁷ The Caribbean-wide situation has been summarized as follows by W. Momm, Director, ILO Caribbean Office ILO Tourism, 24th Annual Caribbean Tourism Conference. The first obstacle to analyze the situation is the difficulty to come to a clear definition and delineation of the sector. The second obstacle is the absence of reliable and sufficiently detailed and segregated data. The third obstacle is to determine the true size of those economic activities that - while not being part of the official tourism industry in the strict sense - depend nevertheless entirely or partially on the tourism sector.

empirical and analytic resources. If this information is properly used it becomes a valuable asset.

The tourism Framework assumes that policy coordination will be achieved and that a similar cooperation will arise between public and private entities via the NTC - through agreement on the broad strategy of a tourism Framework. The Vision report stresses the importance of coordinating policy across government departments, as this too is essential for the Framework to be implemented effectively.

The Visions Report also recommends that policies and their effectiveness be regularly monitored, evaluated, and adjusted. This is consistent with the proposed tourism Framework, which uses principles of strategic asset management to develop a robust portfolio of tourism products consistent with Aruba's environmental, demographic, and social needs and opportunities. General and specific aspects of these possibilities are given in documents provided by the departments of education, social affairs, land use and environment, and tourism.

There are obviously many departments and institutions in Aruba that are concerned directly or indirectly with tourism or whose activities directly or indirectly impact the sector. Nonetheless, until the establishment of the National Tourism Council, there has been no effort to bring together these various perspectives. Ad hoc conferences and occasional consultants' reports – usually driven by some immediate crisis – do not provide a sufficient basis for planning. Crisis management is an important component of planning, but hardly a viable long-run strategy. Much of the effort expended on reports is dissipated – reports are shelved or lost so the analysis and data collection must be repeated each time an issue is addressed, and the experience and skills of Arubans involved are wasted. If the Framework is to succeed then it must be established in a more formal manner. It is essential to develop a “look-out” capability for Aruban tourism planning, to maintain strategic alternatives, and to evaluate every new initiative within the overall objectives.

The NTC represents an important initiative in terms of developing a consensus across government departments concerned with tourism and some key sectors of the industry. Most important is that public-private cooperation has begun. However, the difficulties of the initiative have become evident over the course of the present project. On the one hand it is essential to have key players with the knowledge and insights and influence involved: on the other hand such people are incredibly busy and not able to devote the needed level of effort.²⁸ The need is to have access to their insights and influence but also have the capacity for the day-to-day tasks of data consolidation and analysis.

This might be formalized as an **Independent Commission**. The overall responsibility would be to advise on the broad directions for tourism on the Island and also help to ensure that goals are met. The members of the Commission would be invited by the Minister of Tourism or nominated by their respective organizations or co-opted by the Commission itself. In any case, it is recommended that the present membership be extended to include representatives of interest groups and organizations – labor, regional spokespersons, cultural groups, environmental organizations, small hotel and small business proprietors, and so on. The commission should be a permanent body that looks beyond short-run expediency to represent the long-term interests of the Island.

A **Tourism Analysis Unit** must support the commission. As a ‘think tank’, the Analysis Unit should have a professional staff drawing on institutions represented by the NTC. It should maintain a consistent database, monitor trends, and undertake high-quality analysis to establish the continuing knowledge required for strategic asset management. A primary task would be to cooperate in the preparation and updating of the Tourism Master Plan for the Island, as discussed below.

²⁸ This is certainly not intended as a criticism of NTC members. It is simply a fact of life that heads of government departments, trade organizations, government advisors, and the like already have full-time jobs.

To be successful the unit needs to have a wide range of inputs both in terms of statistics and perspectives. To some degree these needs are in conflict since much data are confidential and recognizing different perspectives means accepting criticism. Analysis needs to combine detailed insider knowledge of the local industry and Island with a broader understanding of the outside context. This affects institutional location of the Analysis Unit (university, ATA, ministry, or elsewhere.) Whatever the institutional location, it is important to make use of the know-how and analytic capacity in government departments, university, tourism school, industry organizations, central bank, development bank, environment groups, private consultants, and so on.

The goals for the Analysis Unit would be similar to those for the present project. The principle differences are:

- **That the Analysis Unit would advise the Independent Commission and cooperate with its member organizations on specific responsibilities identified below.**
- **That analysis should be on a continuing basis with regular monitoring and updating, as required, and**
- **That Arubans should carry out such analysis, preferably as a full-time commitment.**

The tasks of the Analysis Unit would include:

- **To Develop and Update Tourism Master Plan:** A next step in the implementation of the proposals is to prepare a Tourism Master plan that identifies the specific sites appropriate to the adopted project proposals or others to be developed. This requires,

that adequate *cadaster* data and current status of relevant terrain and land parcels become available.

- **To Consolidate Information:** Consolidate existing data of Aruba tourism organizations, government, consultant, academic, and agency materials (reports, websites, books, and journals, interviews). Similarly, consolidate information from International tourism organizations, government, consultant, academic, and international agency reports.
- **To Maintain a Long-Run Outlook:** The long run outlook for tourism in Aruba should be regularly reappraised. This is necessary to frame discussion about the future of the Island in the light of emerging economic, social, environmental possibilities, constraints, and goals. As circumstances change, this will determine the details of medium and short-term policies.
- **To Adjust the Medium-Run Strategy:** Evaluate trends and forecasts (such as continued globalization and consolidation of the industry), as foreseeable level of unpredictability (for example, demand fluctuations), and also to recognize the more apparent opportunities trends and constraints. The goal is to ensure that the Island maintains a robust, realistic, flexible, updateable Framework.
- **To Advise on Short-Run Policy:** Develop capability to assess individual projects and clusters of projects and contingencies in terms of their impact on economy (e.g. overall, secular, household, revenues), land use and environment (coastal beach, reefs, flora and fauna), infrastructure (roads, land, utilities), and social issue (demographic, cultural resources and change).
- **To Develop Analytic Tools:** Improve systems for data analysis and dissemination, forecasting and policy analysis. A first step would be to establish an inventory of

tourism assets, including opportunities in tourism resources, whether environmental, economic, infrastructural, social, or cultural, etc. and also the corresponding potential bottlenecks and limitations.²⁹

- **Training:** Improve training in relevant techniques including both quantitative and qualitative analysis methods, forecasting and scenario analysis, cadaster and GIS, spatial location, environmental accounting, focus groups, and survey analysis.

1.11. Institutional Tasks and Responsibilities

Adoption and implementation of the proposals set out in the Report implies certain responsibilities for the current member organizations of the NTC and others that might be co-opted. Most importantly, the Independent Commission and supporting Tourism Analysis Unit require extended support in order to carry out the tasks identified above. There has been considerable consensus among the NTC members on the main directions for the sustainability Framework for future tourism, but there are nonetheless outstanding issues that require further discussion and collaboration assuming that the broad goals of the tourism Framework are adopted. In some cases it appears that there could be a functional merging of organizations. In other cases greater cooperation is required where interests conflict or overlap. The key to cooperation here is for all involved to recognize that the sustainability of Aruba rests on the continued prosperity of residents; since it is the Arubans that have created the reputation of the Island as a genuinely safe, friendly, and reliable destination. To maintain this good reputation requires a professional industry, which monitors its standards of operation. Island security and environmental standards also must be improved and maintained.

²⁹ These should be assembled into a regularly updated set of national social-environmental accounts. These should adhere to international accounting recommendations but adapted to the needs and possibilities of the Island.

The following suggestions are intended to illustrate areas where progress could be made. In some areas immediate action is required for the master-planning phase of the new tourism Framework to begin. In others, the necessary expertise may be developed progressively over the next decades. Parenthetically, it is noted that many of these suggestions such as marketing and quality are warranted whatever future course is adopted for tourism in Aruba.

Accommodation of Representative Associations:

Transient and timeshare accommodation are currently represented by separate organizations (AHATA and the Aruba Timeshare Association), despite the fact that many properties operate in both markets. There are areas in marketing, security, scheduling, and quality assurance where cooperation is evident or should be expanded:

- **These organizations might consider merging or developing a more collaborative structure.**
- **Most important for the proposed Framework is that a means is found for including smaller properties in this new structure in an affordable, representative, and supportive fashion.³⁰**
- **It is necessary to reach agreement on disclosure of restricted information that is sufficient to enable evaluation of properties performance in terms of the strategic management of tourism assets overall.**

³⁰ A current but less satisfactory alternative for Aruba's small hotels, inns, holiday villas and apartments has been to join the Caribbean's Small Tourism Enterprises Project which can offer access to marketing, technology, management and finance services.

An important responsibility is for independent and chain operators to accept the need for a certain level of return to the public sector for infrastructure improvement, education, and public welfare if Aruba is to maintain its status as a premier resort.³¹ There may also be opportunities to address some of the cyclical demographic problems identified in this report through developing more flexible yet secure labor hiring arrangements between properties.

Aruba Tourism Authority:

The Aruba Tourism Authority can play the pivotal role in the success of the Framework by effective marketing and support for new initiatives. Current marketing plans should be evolved to detail the target markets for the new components of the Aruba Tourism portfolio. This involves providing specific marketing assistance to smaller accommodations and tourism-related businesses, such as web-page development, and providing the destinations-specific marketing and image creation for Aruba.³² The Authority should cooperate with the analysis unit to develop a directory of potential tourism assets. Together, in cooperation with the CBS, they also must establish a regularly updated and accessible database that permits the key dimensions of the Framework to be evaluated. Unless data are properly evaluated the Island cannot capitalize on its competitive advantage in data collection.³³

³¹ The following excerpt from a recent World Bank and European Union report is pertinent here for both sides of the equation. “As the owners of the sun, sea and sand resource, the populations of the Caribbean islands, through their governments, should be the beneficiaries of these rents – the rents are, in effect, payments for the use of the resources. The struggle between different actors in the tourism sector is often over whom captures the rents ... the question for government is therefore how to most effectively capture these rents. This question cannot be answered independently of the broader question of taxes and investment incentives, and to what extent governments must or should give incentive (in essence, giving away part of the rents) to actors in the tourism sector.” [World Bank/EU June 2000. Report 20453-LAC]

³² Marketing destinations, or destination branding has become an increasing aspect of resort tourism. While branding has been applied to consumer product categories for decades, the concept of destination branding only appeared in the mid-90s to assist them to compete more effectively in the intense competitive environment. See e.g. Benefits of Successful Destination Branding. W Baker. Destination Development Group.

³³ Much data are collected but then effectively ‘privatized’ within government departments and organizations well beyond the level in other democracies.

Surveys of tourists, such as departure and mail surveys should be redesigned to obtain more useful data, and to identify less stereotypical visitors' future desires and expectations as well as levels of satisfaction with their last experience with established activities. It is important to develop a means of assessing the cost-effectiveness of marketing among visitor cohorts and diverse types of promotion, including media advertising, direct mailing, festivals, airline subsidies, as well as performance monitoring through, for example, quality assurance programs.³⁴ Thus, marketing strategies can be adjusted to maintain visitor demand in relation to tourist accommodation and other assets.

Retail, Activity, and Other Business Organizations:

Many of the remarks above apply to all tourist-related activities in Aruba, but primarily the need to maintain a competitive professional industry. This includes quality assurance for all tourist related activities in retailing, restaurants, land and water sports, tours, entertainment, transport, and public facilities such as clean beaches and restrooms. In water and land-based sports and tours, professional standards of service, safety, and environment must be enforced. In retailing, visitors must be confident of the quality and provenance of their purchases. Eating and drinking establishments should comply with standards of hygiene and service. In a small economy with only a few “major players” it is important to assure all businesses – large and small - of fair and even treatment and to eliminate unfair business practices. Small and novice businesses should comply with regulations, but the goal should be to foster new entrepreneurs and initiatives in order to maintain a dynamic innovative tourism sector. Commercial banks and the Aruba Investment Bank should work with the analysis unit to develop financial products that support small and medium sized tourism-related businesses.

³⁴ Given the relatively marginal net contribution that some types of tourism in Aruba make to the public sector, some promotions via airlines and tourist operators are highly questionable, except under very specific and short-term conditions. Existing methods used by the ATA are inappropriate since they measure gross rather than marginal benefits of expenditures.

Environment:

The focus in this report on sustainable tourism in Aruba has yet again exposed the lack of information needed for either an overall evaluation of the Island's carrying capacity or information on the environmental impact of existing and new projects. This is especially important since Aruba may be closer to its growth limits than other territories in the Caribbean or elsewhere. It is crucial to develop criteria for environmental assessment and to prepare impact statements for major new initiatives (whether single large-scale projects or multiple small scale activities) and also for current operations that are believed to pose environmental or health risks to humans, sea and wildlife, and reefs, etc. Apparently, most of the laws needed for this are in place, but not enforced. Proposed sites for new accommodation, especially those in the vicinity of San Nicolas, should be individually evaluated. Designated nature areas and protected areas such as dunes and reefs should be adequately sign-posted and patrolled, ATV and other trails should be reconnoitered and marked, and access regulations enforced.

Education and Training:

Improving the match between jobs created and jobs offered through expansion of tourism has been identified as critical if Aruba is to develop a sustainable tourism Framework based on maintaining a relatively good standard of living, and reducing population growth. The Framework has to be supported through education at secondary and tertiary levels, and management and professional training:

- **At the tertiary level, the University of Aruba might develop a graduate program in Tourism Policy and Hospitality Management.**

The program should include both business management and economic development aspects of tourism.

- **At the intermediate level, the Tourism School should be the foundation of the employee training programs.**

However, larger hotels and timeshare might be required to ensure that a significant share (say 5%) of employees be in training.³⁵ This might be based on a public-private arrangement such as the Department of Social Affairs/Marriott Pathways to Independence program.

- **It is recommended also that a “tourism awareness” component be introduced into the general education of all students in Aruba, whatever their future careers.**

Given that directly or indirectly, tourism is likely to remain the primary source of income for Arubans, it is important for the younger generation to appreciate its social and economic role. They need to be aware of the opportunities for entrepreneurs and employees in tourism and downstream businesses, but also mindful of the inherent difficulties associated with tourism in small islands. Ultimately sensible public decisions about the industry will only be made if the population at large is well informed.

- **Specific to the Framework would be the establishment of a setting up of a vocational College of Arts and Crafts.**

This college would ensure that tourism-related products would reach the level and quality required to ensure a vigorous market demand. Talented students would be encouraged to develop products that reflect their own Island identity, and the Island’s historic and cultural epochs. Ultimately, this growing artistic sensibility will, over time, reflect the ‘*cultura di Aruba*’ through its products.

³⁵ This might be viewed as a PILOT (Payment in Lieu of Taxes) contribution to the Island similar to various security, promotion, and charitable contributions by businesses.

Coordinated and Consistent Public Policy Public:

The report shows that several of the problems with Aruba's tourism might be addressed through coordinated government actions for example, scheduling of public sector layoffs, training, and permits for new accommodation. Public sector employment provides a valuable safety net for Arubans in times of crisis (notably after Lago closed) but it also constrains Island-wide productivity and performance. Island-wide productivity might be enhanced through transferring public sector workers into tourism supportive activities via quasi-governmental organizations Arikok Foundation.

Financing the Tourism Framework:

Fulfilling the objective of this report to prepare a Framework for sustainable tourism in Aruba has required us to investigate wider issues of demography, environment, culture, and economy. As far as possible, the report attempts to mesh with proposals in other departments of government, finance, land-use, educations, and so on. It is suggested, therefore, that integrating the tourism Framework with other proposals may provide a multi-year program eligible for Dutch support via the Aruban Development Fund. A demonstration that the tourism Framework is overall viable and profitable may allow Aruban matching-funds to be generated through tax-increment financing or a similar arrangement. This would provide a financial base for many of the projects suggested in this report.

Sharing the Benefits, Burden, and Risks:

Tourism is one of the most profitable industries in the world (witnessed by its phenomenal growth) but it may also be one the most exploitative. The goal for Aruba is to ensure that all Arubans benefit from tourism and support the industry in a professional manner. The Framework requires that the Island slow the pace of growth whilst improving the tourist

experience – in other words to present Aruba as a restricted but highly desirable product. How Aruba tackles the present structural imbalance will determine the details, feasibility, and outcome of the proposed Framework.

2. POPULATION GROWTH, LAND USE AND SUSTAINABILITY

2.1. Environment and Sustainability

This section addresses the question of “how far can development proceed before the way of life enjoyed in Aruba is irretrievably threatened by over-development of the Island?”

Although the expansion of tourism is driving the economy of Aruba, it is the growth of population rather than the growth of tourism that has become the principal source of pressure on the available land. This is because the construction and operation of new hotels, especially since the mid-1980s, has always resulted in the arrival of large numbers of new migrants. Over the last decade this migration, together with rising incomes of Arubans, has created an accelerated demand for housing. Unless increasing demands for residential land can be brought under control, other environmental concerns will be far more difficult to deal with. Therefore, limits of residential land occupation in Aruba as estimated below will be used to delimit the number of hotel rooms that the Island could support.

Three other issues related to sustainability are considered tentatively here. The first is the relative use by tourists and residents of energy and water – which, in addition to land are the most important ecological resources. The second is production of waste, which potentially poses significant amenity, run-off, and health problems. Third is the reduction in transportation by commuters, and through a redistribution of the Island’s tourist activities.

Concern that Aruba may be reaching its carrying capacity in terms of its ability to support a continued growth of tourism and population is central to the recommendations of the tourism strategy. It should be recognized that there is unlikely to be a definitive statement on the final upper limit to growth in Aruba. On the one hand, Aruba exceeded its ability to support its then population of less than ten thousand over a century ago; the environment was already undermined by a succession of agricultural and mining activities, and later through oil refining. Today, nearly all food, energy, and most goods are imported and there is little natural water. This makes the ecological footprint of Aruba many times its

geographic size.¹ On the other hand, it is not inconceivable that several million persons could live on the Island given dramatic changes in types of dwellings lifestyle, etc. similar to those of the world's most crowded cities. Neither ecological constraints nor technological possibilities offer much guidance as to a sensible target for growth in Aruba.

Equivalent considerations at a global level have direct consequences for small islands like Aruba. Global climate change in part provoked by human actions could lead to large-scale possibly irreversible changes to the Earth's ecological balance. The resulting variability and uncertainty in weather (possibly more frequent hurricanes) would impact Aruba directly, as would destruction of coral reefs and coastal ecosystems, beach erosion and rising sea levels. Indirectly, Aruba would be impacted by changes in crop yields in supplier countries, vector-borne diseases, and so on. Thus, although Aruba's net contribution to the global situation is negligible, the Island has a general interest in promoting sustainable development and preserving the global ecosystem for future generations through local actions; for example, the greening of residential and business activities through reduced energy and water use, and the protection of remaining species, coral reefs, and so on.

Unfortunately, and despite the setting up of several departments such as VROM , there is almost no systematic information about the state of the environment in Aruba.² A recent UNDP Report (2002) notes the almost total lack of information on ecological resources, carrying capacity, and the existing level of environmental stress in Aruba.³ Specifically the UNDP was unable to discover any recent work or even dated inventory of Aruba's ecological resources, although general information is available. The study also was unable to identify any studies of carrying capacity to ascertain the limits of acceptable change. A study proposed by ATA at that time apparently has not been conducted. There also are no known studies on the existing levels of waste generation and their methods of disposal, or impact

¹ Wackernagel, M. and W. Rees. 1995. *Our Ecological Footprint: Reducing Human Impact on the Earth*. New Society Publishers.

² There have been occasional research publications. Boerwinkel, D. *Small Islands, Big Problems*. Instituto Pedagogico Arubano. 1993. Aruba is not alone either in terms of the perceived threat from over-development of tourism, or the lack of data. Several authors have called for better indicators. McElroy, J. 2002. *Tourism in Small Islands across the World*. VII Small Islands Conference. Prince Edwards Island.

³ UNDP 2002. *Lessons of Tourism Development in Aruba for Sustainable Development in Tobago*.

studies of ecological sites. The report notes, however, that there have been efforts at beautification and maintenance, the clean up of litter, and improvements in wastewater disposal.

From an economic development standpoint, the fundamental process involved in tourism in Aruba is that the community is exchanging its valuable assets (access to sun, sand, and sea and a friendly, stable society) in order to maintain and improve the quality of life for its residents. Both assets and life quality have tangible and intangible components. To the extent that the measurable assets are becoming limited (e.g. availability of suitable land) and increases in the overall measurable standard of living are variable, and to some degree vulnerable, it is important to evaluate the trade-offs.

Several studies have noted the high intensity of tourism in Aruba. Indeed, measured as hotel rooms/geographic area, it is among the highest in the Caribbean. Table 2.1. compares leading Caribbean tourist destinations, showing that Aruba has a high density of tourism, both by area or coastline.⁴⁵ Population density too is comparatively high.

⁴ The Table is derived from Guidance for Best Management Practices for Caribbean Coastal Tourism. Island Resources Foundation. St. Thomas, VI. Dec. 1996, based on data in Hoagland, et al. 1995, and in Caribbean Tourism Organization, 1995. The information is not necessarily consistent with other information in this report but is reproduced for purpose of comparison. Coastline is derived algebraically from the area of each island.

⁵ The World Travel and Tourism Council's 'Impact of Travel and Tourism on Jobs and the Economy, 2002, ranks Aruba 7th in the world in terms of tourism employment (38% of total), and 5th in terms of tourism investment (62.7% of total).

Table 2.1. Tourism and Population Density in the Caribbean

Destination	Population thousand	Area Km2	Pop Density per Km2	Rooms	Rooms/ Km2Area	Radial Coastline Km	Rooms/ Coastline Km
Aruba	79	242	326	6154	25.4	47	130.3
Netherlands Antilles(No)	36	188	191	3852	20.4	42	92.4
US Virgin Islands	109	384	284	5450	14.2	59	91.6
Barbados	264	431	612	5808	13.5	63	92.1
Bahamas	273	1092	250	13377	12.2	100	133.3
Cayman Islands	30	300	100	3450	11.5	53	65.6
Montserrat	10	83	120	710	8.5	28	25.6
Anguilla	10	127	75	979	7.7	34	28.6
Antigua & Barbuda	64	440	146	3338	7.6	64	52.4
Martinique	360	1121	321	7200	6.4	102	70.8
St. Kitts & Nevis	42	286	147	1596	5.6	51	31.1
British Virgin Islands	18	225	80	1224	5.4	46	26.9
St. Lucia	143	569	251	2997	5.3	72	41.4
Grenada	97	391	247	1448	3.7	60	24.1
Guadeloupe	405	2088	194	7695	3.7	139	55.5
St. Vincent & Grenadins	111	333	332	1216	3.7	55	21.9
Netherlands Antilles (So)	158	829	191	3008	3.6	87	34.4
Jamaica	2480	11071	224	19840	1.8	319	62.1
Turks & Caicos	13	619	21	1066	1.7	76	14.1
Dominica	73	646	113	730	1.1	77	9.5
Puerto Rico	3685	10014	368	11055	1.1	304	36.4
Dominican Republic	7157	48358	148	28628	0.6	668	42.9
Trinidad & Tobago	1257	5195	242	2515	0.5	219	11.5
Cuba	10900	113542	96	21800	0.2	1023	21.3
Belize	211	26375	8	3587	0.1	493	7.3
Guyana	305	76250	4	915	0.0	838	1.1
Surinam	174	58000	3	522	0.0	731	0.7

There is concern that the Island is approaching its carrying capacity for further tourism development either because of the exhaustion of recreation resources or through tourists' sense of overcrowding. This has been a recurrent concern for several decades. In Aruba, although tourism has deliberately been concentrated in selected areas, these zones are not enclaves as with some destinations. For this reason, a sense of overcrowding may be felt less in Aruba than tourist density comparisons alone might suggest. Also, tourists have the

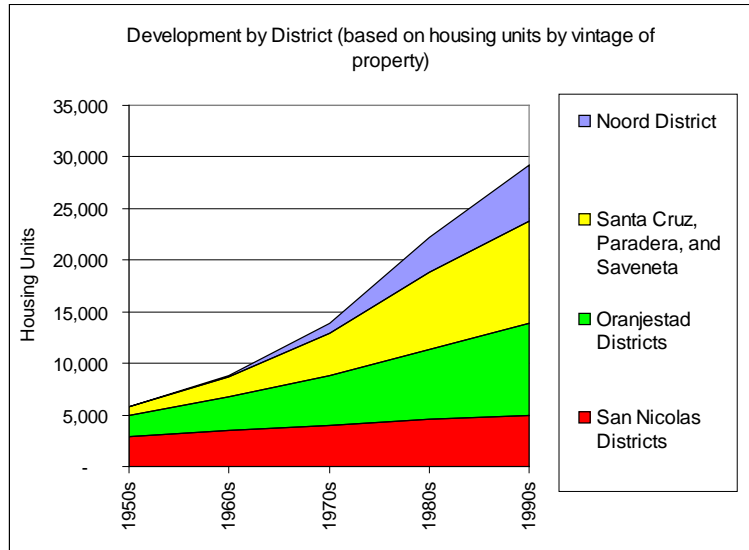
opportunity to visit safely the most populated and un-populated areas of the Island; indeed, some regions of the Island remain almost totally undeveloped. Although beach space in Aruba is ultimately limited modern technologies allow modest lagoons and beaches to be constructed, or existing unsafe beaches to be protected with reef enhancements, breakwaters, and the like. Nonetheless, the fact that different styles of tourism place very different demands on physical space in terms of rooms per hectare, or beachfront, has to be accounted for in developing a rational land use plan for the Island.

2.2. What are the Upper Limits of Development in Aruba?

Over the centuries, with each wave of development, the economic locus of the Island has shifted back and forth along its length. Early settlements were established by the Spanish in Savaneta, by the Dutch in Playa (later Oranjestad), and by the American Oil refinery in San Nicolas. Santa Cruz was a well-populated area of native Aruban farmers. Oranjestad and Santa Cruz were the main population centers until the refinery was established. By the 1940's, the San Nicolas area had become the growth pole of the Island's economy. When tourism began in the late 1950s residential development was stimulated in the vicinity of the tourism corridor. This development accelerated after 1985 when the Lago refinery closed. The majority of the new development was in Oranjestad, and in Noord.

As tourism expands population and secondary activities follow, generally with a lag of several years. Thus, with the present mismatch of jobs and workers between the tourism corridor and San Nicolas, there is likely to be a continued relocation even if no further development occurs. In any case, with rising incomes, more Arubans are moving to suburban developments. These suburbs could eventually cover the entire Leeward end of the Island from Klip to Malmok, and inland east of Noord and Santa Cruz.

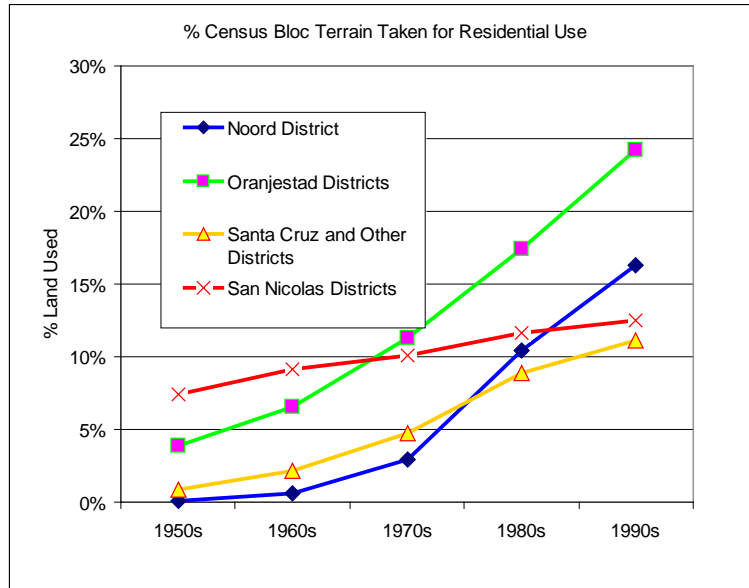
Figure 2.1. Historic Trends in Number of Dwellings by Major District



As a result of these changes the present intensity of land use varies considerably across the Island. Figure 2.1. shows the number of dwellings for the four major districts in Aruba in each decade since 1940. It shows steady growth in Oranjestad, and Santa Cruz over the entire period, stagnation in San Nicolas since the 1950s, and a rapid growth of Noord since the 1960's.⁶ Maps 2.1.-2.5. show in more detail how the use of land has evolved as a consequence of the geographic concentration of tourism. The intensity of land use has increased dramatically across the northern half of the Island. Figure 2.2. shows the proportion of land already taken for residential use. These areas (Noord, Oranjestad and Santa Cruz) are beginning to merge into a contiguous urban area. As yet there has been little increase in the intensity of land use at the southern end around San Nicolas.

⁶ The number of dwellings is based on the Census of Population definition of a housing unit.

Figure 2.2. Land Use Trends in Aruba by District



2.3. Limits on Land Use

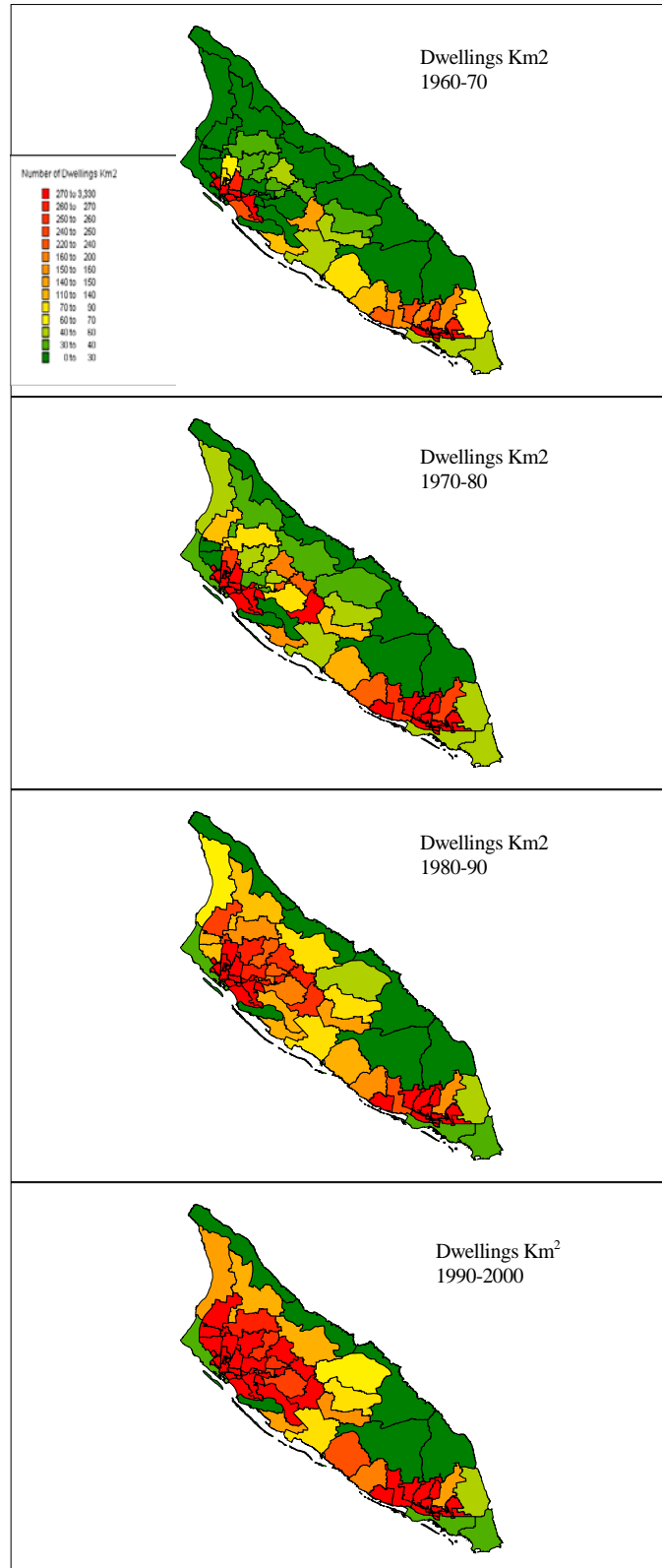
The above settlement patterns in Aruba provide a tentative means of estimating the upper limit on residential development statistically. This is based on the style of dwelling, the land needed for supporting infrastructure and business, the use of land for tourism, and the land that Arubans wish to remain unused. The point of this calculation is not to claim some absolute limit to growth in Aruba, but rather it is to evaluate how imminent might be the limits to growth assuming that present styles of dwelling and access to nature remain a desirable aspect of Aruban life.⁷ The aim therefore is to indicate the relationship between the present way of life enjoyed by Arubans and the territorial limits of the Island.

According to the Census 2000 there are 29,000 dwellings in Aruba. This represents an average of 586 buildings Km² within enumeration districts - those areas where people live.

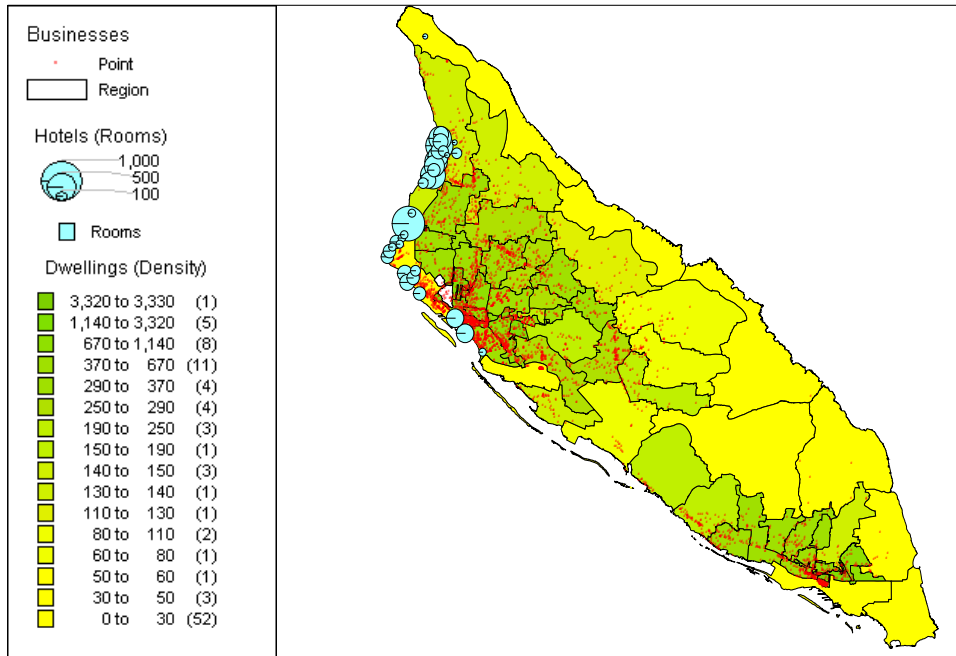
⁷ Monaco, for example, the most densely populated nation state in the world and also rich and attractive has 30 times the current Aruba density.

This excludes undeveloped land in Census Districts (about 8%), and on the back of the Island, about 25% of the total area of Aruba. In 2000, about 14% of all land within census enumeration districts was taken for residential land (i.e. the domain upon which the building stands) although only about 3% of land is used for the actual building. In Oranjestad, the most developed district, approximately 24% of land is used, in Noord, Santa Cruz, and San Nicolas the figures are 16 %, 11%, and 13% respectively. While these percentages may appear rather small, this does not include land taken for other uses such as roads, car parks, commercial centers, government offices, or tourism.

Maps 2.1.-2.5. Intensity of Land Use in Aruba 1960-2000



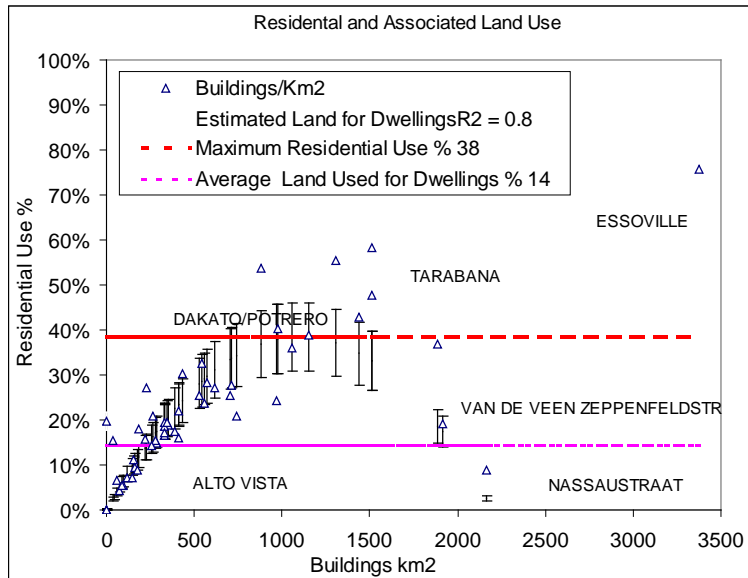
Map 2.6. Distribution of Hotel Rooms and All Businesses in Aruba



Map 2.6. shows the distribution of businesses across Aruba. In general, economic activity is concentrated in urban centers, along highways, and the tourism corridor. The ratio of land used for business relative to that for residences varies such that in urban centers (e.g. Oranjestad and San Nicolas), commercial use tends to crowd out residential use. Thus, the highest intensity of land used for residential purposes is in the outer urban areas, at about 40% (Figure 2.3.). This pattern is fitted to a statistical model that is then used to make projections of the upper limit on land use.⁸ For this, it is also assumed that inhabited areas of the Island (outside of urban centers) will approach this same level of occupation. This implies that as the population increases, the pattern of suburbanization seen over the last decade will eventually spread across the Island.

⁸ This method has been developed to circumvent the lack of current information on land use (e.g. residential, business, tourist, or multiple use), ownership (property land, long-lease, short-lease, etc), etc.

Figure 2.3. Percent Land Used for Dwellings across Aruba Census Tracts (GAC)



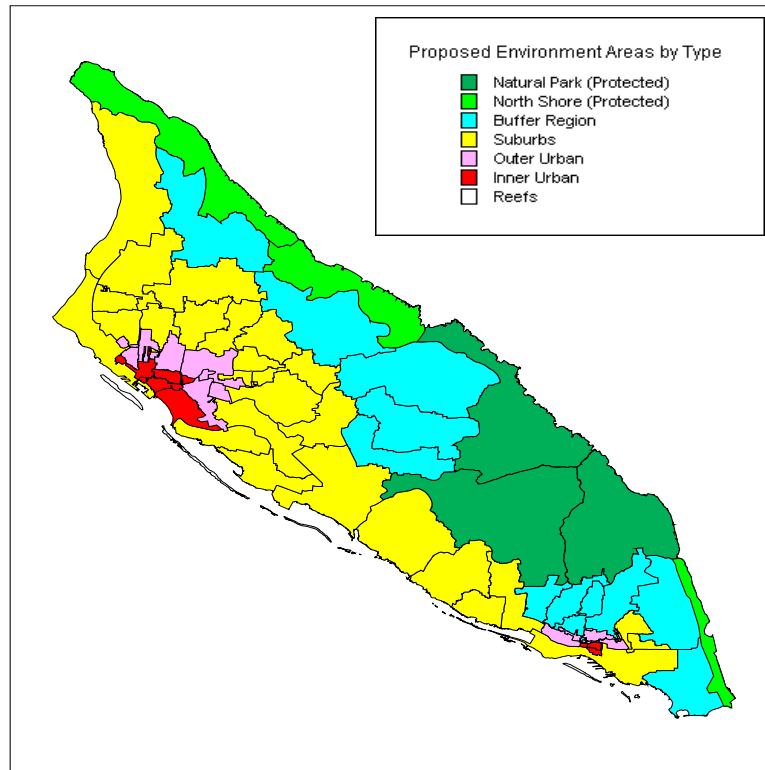
Given these assumptions, it is estimated that about 85,000 new dwelling units could be built if all presently undeveloped land was used. This would include about 31 thousand dwellings along the north shore from California to Seroe Colorado. About 10,000 would be in currently unpopulated areas within Census districts that may ultimately prove unsuitable for residential development (such as rocky areas and salinas). Approximate 10-20% of land by area in Aruba is 'property land' which is privately owned and unaffected by zoning regulations. The majority of this land lies in the central region of the Island from Noord to the boundaries of the Arikok between Oranjestad and the north shore ridgeline. A smaller amount of property land lies in the developed areas of Savaneta and San Nicolas. In this calculation, property land and public (short- and long-lease) land are not distinguished.⁹

In an effort to contain residential development, the Domeinbeheer is drafting a new land-use plan for the Island. This plan proposes that the Island be sub-divided according to five levels of land-use intensity: inner-urban, outer-urban, suburban, transitional zone, and protected areas (including the natural park). The boundaries of these areas are not yet finalized, but

⁹ This information is based on maps circa 1960. No current data appears to be available.

approximately correspond to census districts as shown in [Map 2.7](#). The principal implication of this proposal for the above calculation is the establishment of a less intensively developed transition zone (or buffer) between the suburbs and protected areas. Reducing development in this buffer zone and prohibiting further development along the north shore would reduce the possible number of dwellings to about 43,000.

Map 2.7. Proposed Land Use Zones



If the construction of these dwellings increase took place over a period of 40 to 50 years, the growth of the principal Island districts might look like [Figure 2.4](#), assuming that rapid growth continued for at least one decade and then slowed to the limit stated above. In such a growth scenario, it is likely that residential densities would increase because of a reduction of terrain allocations and more widespread use of apartments, townhouses, and condominiums. Whether or not this additional growth occurred, it is likely that Santa Cruz would develop as a concentrated urban center.

Although the possible number of dwellings may appear considerable, it represents a total urbanization of the Island outside the protected and transition areas with densities similar to Dakota or Ponton. It is likely that, should the present trend of urban sprawl continue unabated, land would be used more intensively through high-rise apartments or smaller dwellings. This is technologically possible in Aruba, even though it may be undesirable. For example, the former Concorde (now Wyndham) has 20 floors and the intensity of land use in the center of San Nicolas (Village) is 3,400 buildings per Km² - about six times the Island average.

Table 2.2. Summary of Parameters used to Estimate Residential Capacity

Upper Limit on Population Growth (with current average dwelling styles)

Region	Area Km ²	Share %	Existing Dwellings	Maximum New Dwelling
Dwellings Footprint	3.7	2%		
Terrain excluding Building	12.0	7%	29,190	
Related Use (Business and Infrast	25.2	14%		
Tourism Corridor/Harbor	7.0	4%		
Airport	1.9	1%		
Dwelling and Related Use	40.9	28%		
Island Total	176.8			
Remaining	135.9	77%		84,890
Buffer Reduction	(15.2)	-9%		(10,837)
North Shore	(43.6)	-25%		(31,116)
Usable Total	77.2	44%	29,190	42,936

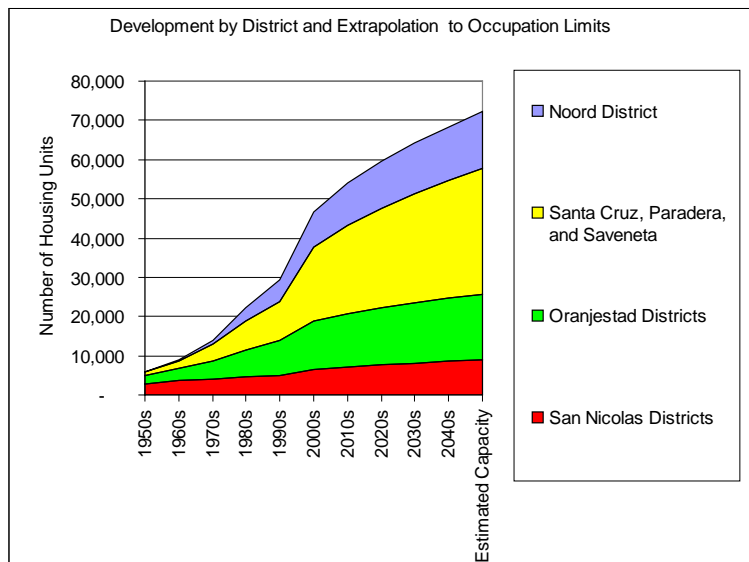
Back of the Island

Caribbean Shore Territories	Area Km ²
Noord	8.5
Paradera	6.2
Santa Cruz	11.3
Saveneta	14.3
San Nicolas	3.4
Total	43.6

There are a number of regional pressure points and potential side effects of the continued increase in population density: possible side effects include smaller dwellings, or smaller land units. There is some indication of this having already occurred in the Noord and Santa Cruz districts after 1990. This is not as apparent in Oranjestad largely because the area is

already highly developed, or in San Nicolas since this area has experienced far less development overall. However, as a matter of policy the Government has now reduced the average plot size allocated per dwelling.

Figure 2.4. Illustrative Projection of Land Occupation to Estimated Limit of Occupation



2.4. Land Occupation Consistent with Tourism Strategy

The proposed strategy for tourism in Aruba is designed to slow residential growth significantly. What this target should be has yet to be decided. However, with an overall population increase of 25% by 2045, the average intensity of land use would remain below 60% of the maximum level calculated above. This population could be distributed in a variety of ways. However, given recommendation to consolidate tourism in the tourism corridor and Oranjestad, but foster significant expansion in San Nicolas, the greatest growth would be in this region. This area might also eventually be developed closer to capacity given its access to Arikok and other attractive recreation areas. Conversely, since the central

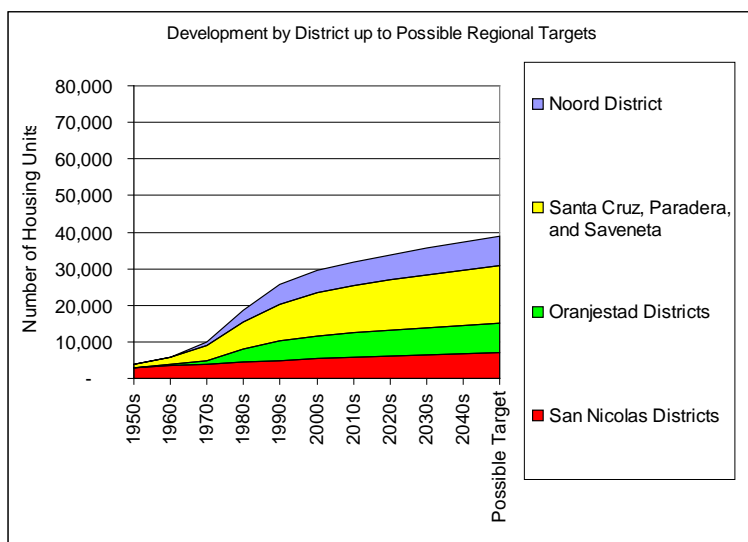
regions are mountainous and less accessible, the intensity of development would be somewhat less than other areas.

Table 2.3. Illustrative Land Development Consistent with Tourism Framework

Region	Estimated Capacity	Possible Target	% of Capacity
Noord District	14,511	7,981	55%
Oranjestad Districts	16,882	9,285	55%
Santa Cruz, Paradera, and Savaneta	31,889	15,944	50%
San Nicolas Districts	8,845	7,076	80%
Total	72,126	40,286	56%

The number of dwellings by district resulting from this illustrative land allocation is illustrated in Figure 2.5.

Figure 2.5. Illustrative Projection of Dwellings based on Proposed Tourism Framework



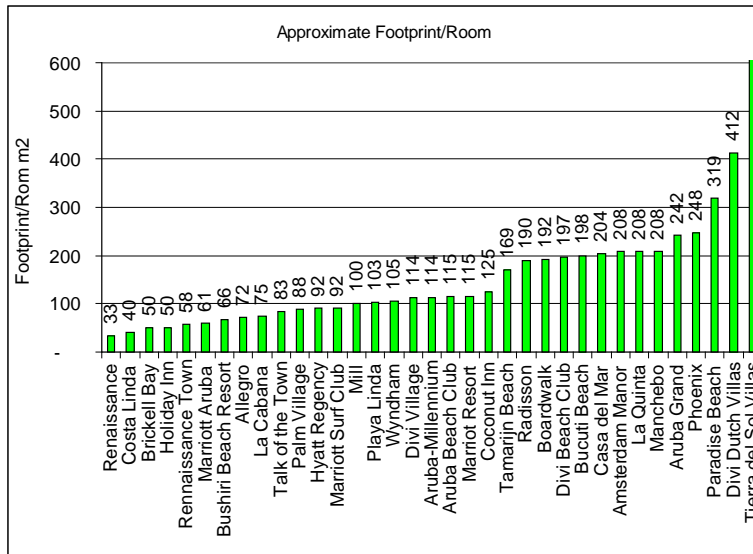
2.5. Land Use by Hotels and Tourists

This section justifies the working assumption used earlier to estimate the carrying capacity of the Island – that land use for tourism is relatively small compared to land use by the population directly or indirectly supported by tourism.

The amount of land taken by hotels has been estimated on the basis of available maps and site visits. The amount of land used by tourists outside hotel developments has been estimated pro rata to the Island population on the basis of the relative number of tourists visiting the Island and their patterns of expenditure. Both estimates are approximate but in the absence of reliable maps and surveys of tourist behavior these calculations provide a reasonable estimate.

The amount of land per room used by major hotels and timeshare is given in Figure 2.6. There is considerable variation in the amount of land used per room. It should be noted, however, that the comparison breaks down for non-standard properties. For example, the condominiums in Tierra del Sol shares land with owner-occupied dwellings and a golf course, whilst others, notably the Renaissance properties in Oranjestad, have little beachfront but have exclusive access to off-shore beaches.

Figure 2.6. Land per Room by Property in Aruba



Land used by hotels includes the footprint of the building, the surrounding landscaped area and associated car parks, but excludes public areas. The land area used by each hotel in the tourism corridor was measured from maps given in the Sasaki Plan and confirmed through site visits. The beachfront associated with each hotel was measured similarly. The results of the survey for the principal styles of hotel in Aruba are given in Table 2.4. Measures are linear and in square meters. On average in Aruba, the footprint of an average hotel room (based on the domain occupied by each hotel including car parking, tennis courts, etc.) is just under 200 m², although there are significant differences between different styles of hotels.

Table 2.4. Hotel Styles and Site Land Use

Item	Rooms	Beachfront	Front	Depth	Area	Footprint /Room	Beachfront/Room
High Rise Hotels	3028	1610	1610	168	271000	89	0.5
Low Rise Hotels	886	1175	1375	93	127500	144	1.3
High Rise Timeshares	2057	950	1050	190	200000	97	0.5
Low Rise Timeshares	835	775	1375	107	147500	177	0.9
Total or Average	6806	4510	5410	138	746000	110	0.7

These data have been used to estimate land use by different styles of hotel considered for the tourism strategy. Other land used by tourists is based on average occupancy and expenditures by type of hotel. This is shown in Table 2.5.

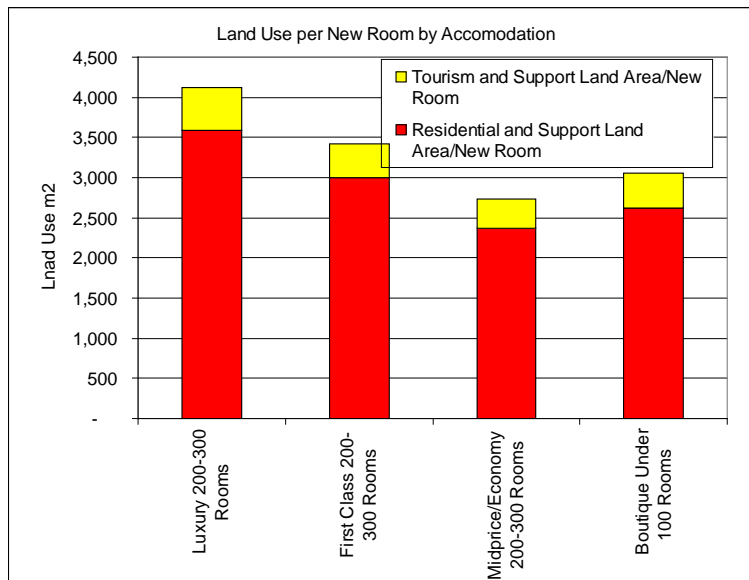
Table 2.5. Hotel Styles and Total Tourist and Support Land

Item	Aruba Average	Luxury 200-300 Rooms	First Class 200-300 Rooms	Mid-price 200-300 Rooms	Boutique Under 100 Rooms
Hotel Footprint/Room	109	102	102	93	120
Tourists/Room	1.9	1.9	1.9	1.9	1.9
Occupancy	80%	70%	69%	74%	62%
Person Years	1.5	1.3	1.3	1.4	1.2
Other Land Use/Tourist	400	440	320	280	320
Tourism and Support Land Area/New Room	509	542	422	373	440

The area used for tourism may be compared with that used for accommodation and other purposes by the workers employed directly in hotels and other tourist related activities, and those employed in downstream jobs. This is calculated using data on the number of workers per room (based on industry surveys, interviews, and CBS data), and uses employment multipliers calculated using the macro-economic model described elsewhere. This calculation is shown in [Table 2.6](#). The Island average total land use including all support activities for residential development that accompanies construction of one new hotel room is estimated to be about 2,700 square meters. This is approximately six times the land required for hotel room and associated tourist use. It is for this reason that residential rather than hotel development is regarded as the primary consideration for assessing the sustainability of further tourist development in Aruba.

Table 2.6. Hotel Styles and Induced Residential Land Use

	Ultra Hotel	Luxury	First Class	Mid-Price	Boutique
All Workers/Room	5.3	4.3	3.6	2.8	3.1
Workers/Dwelling	1.5	1.5	1.5	1.5	1.5
Dwellings/Room	3.5	2.9	2.4	1.9	2.1
Dwelling Area	500	500	500	500	500
Associated Land	1250	1250	1250	1250	1250
Dwelling Area/Hotel Room	4425	3584	2996	2368	2621
Tourism and Support Land/New Room	572	542	422	373	440
Tourist Use/Total Use	11%	13%	12%	14%	14%



2.6. Limits on Tourism Development

The above calculation indicates that land used by tourists per average hotel room is about 600 m² while that used by residents directly or indirectly supported by tourism is 2,700 m². Thus, tourism use is less than 15% of total. That is to say that land use by hotels and tourists is quite small relative to that used by residents. Thus, the latter is the more important

consideration when considering long-run development possibilities for the Island. Since, the growth of tourism in Aruba through workforce demand is the main force behind population growth, knowing the limits of population growth provides an estimate of the limits of tourism growth. Ultimately, the potential upper limit on the number of rooms will depend, for example, on the hotel style adopted or variations in labor productivity improvements in hotels or the rest of the economy.

Table 2.7. Potential Limits to Hotel Rooms based on Residential Land Use.

Population Limits

Maximum Population Increase	132,244
Present Population (2000 Census)	89,905
Total Population	222,149

Estimated Limits on Hotel Rooms and Residence

	Residences	Population	Hotel Rooms
Present	29,190	89,905	7,716
Strategy Level (2045)	40,286	124,082	10,649
Maximum Capacity	72,126	222,149	19,066

Parameters Used

Item	
Estimated Upper Residential Land	38%
Average Land per Dwelling m2	539
Average persons per Dwelling	3.1
Average Workers per Resident	0.4
Workers per Dwelling	1.20
Workers per Hotel Room	1.1
Other Tourism Sector Workers per	1.0
Average Tourism Job Multiplier	2.2
Total Jobs/Room	4.5
Dwellings/Hotel Room	3.8
Tourist Land Use %	12.5%

Taking (for the moment) average levels of employment in hotels, average job multipliers, number of residents per dwelling, etc. then up to 19,000 new rooms could be accommodated. This is about 3 times the present number of rooms. This number would be increased if the ratio of workers to rooms decreased through productivity improvements or changes in style of hotel. If productivity improved at its historic rate (1973-2000) then labor inputs would halve by 200% by 2045. Thus, the potential number of rooms would double.

However, since in this case land use by tourists relative to residents would become a more important factor, this would reduce this upper level to around 35,000. Again, this is far higher than envisaged by the recommended tourism strategy, and probably well beyond what is feasible in terms of other social, ecological, or tourist satisfaction concerns. The recommended strategy envisages about 11-12,000 rooms in total by 2045.

2.7. Other Factors Affecting Capacity

Available Beachfront and Tourist Recreation Space:

There appears to be no systematic or even partial inventory of tourist resources in Aruba, even of the beachfront.¹⁰ Although the amount of prime beach space in areas that are designated for tourism clearly is limited, there are several possibilities for further tourism development. Other studies¹¹ have pointed to areas in the vicinity of San Nicolas, and the north shore as being suitable for tourism development. Moreover, it is evident in Aruba that new beach can be created through reclamation and other technologies (e.g. the Renaissance Suites), and that desirable inland spaces can be constructed (Tierra del Sol and the new Divi and golf course). Other land will become available in Oranjestad when the container harbor is moved to Balashi. These possibilities are considered elsewhere in the context of the proposed regional redistribution of tourism development in Aruba. The goal of the proposed strategy is explicitly to leave selected areas undeveloped either because they are widely used by the resident population, or that developing them would increase regional population pressures, or in order to protect the natural environment or older rural communities.

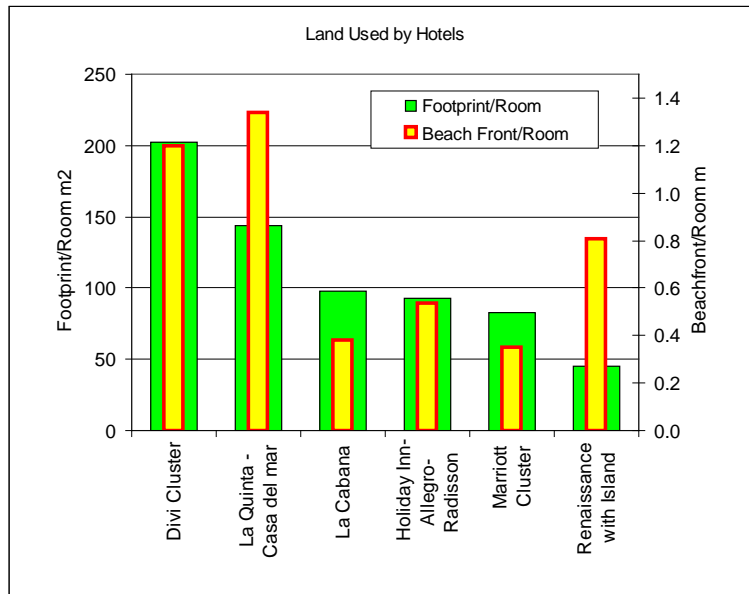
To the extent that Aruba remains primarily a “sun, sand, and sea” destination, prime beachfront will remain a top commodity. Different types of hotel development and clusters of hotels differ markedly in their intensity of use of natural resources (Figure 2.7.). Low-rise accommodation – transient or timeshare - typically use beachfront twice as intensively as

¹⁰ The AHATA Marketing Plan, 2003, notes the need for such a survey.

¹¹ IDAS, 1982; Arthur Consulting, 1991.

high-rise accommodation. Since the strategy recommendations for future tourist accommodation in Aruba are primarily for low-rise development (i.e. boutique hotels and condominiums), prime seafront land must be allocated as clusters or rows of small units.

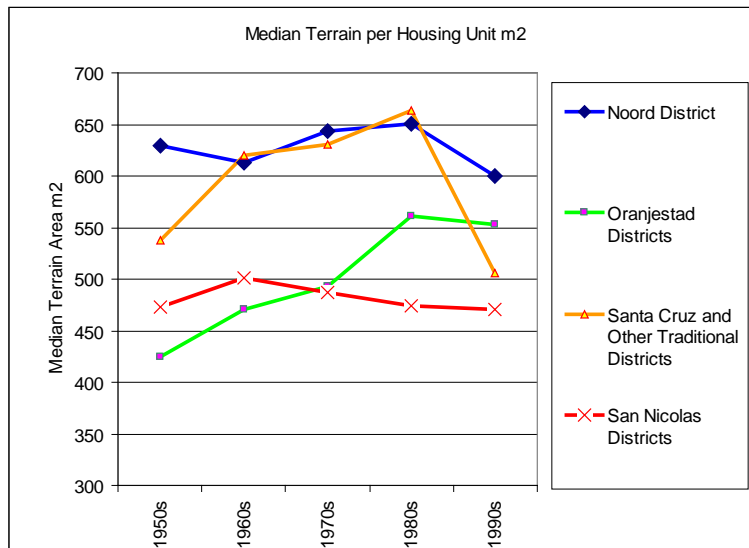
Figure 2.7. Aruba Property Clusters by Intensity of Use of Beach and Land.



Multiple-Use of Terrain:

Information provided by the CBS from the 2000 Census of Population and Housing is used to develop the trends in residential growth as shown, for example, in Figure 2.1. Whilst these appear to be the most useful data currently available (because they can be related directly to population levels), there are certain limitations. First, respondents may not always give an accurate account of the size or age of construction of their home. Second, over recent decades there have been often unrecorded extensions to homes and new apartments built on existing allocations of terrain. Thus, whilst until 1997 the typical terrain allocation for a new dwelling outside of urban areas was 700 m², the average size of terrain per housing unit is now around 500 m² (see Figure 2.8).

Figure 2.8. Trends in Median Size of Terrain by District



Some indication of the extent of the construction of new dwelling units - often not reported to other authorities – is obtained by comparing the housing stock for 1990 as reported in the 2000 Census with that reported in the 1991 Census. This suggests that on average 14% of housing units are on previously allocated terrain. This trend has, however, been

accompanied by a decrease in the average number of people in each household unit as shown by [Table 2.8](#).¹²

Table 2.8. Comparison of 1991 Housing Units based on 1991 and 2000 Census

Region	Housing Units (1990)		Population		Population per Housing Unit	
	1991 Census	2000 Census	1991 Census	2000 Census	1991 Census	2000 Census
Noord District	2,861	3,363	10,540	10,056	3.7	3.0
Oranjestad Districts	6,039	6,750	19,774	20,045	3.3	3.0
Santa Cruz and Other Traditional Districts	6,204	7,487	24,471	23,049	3.9	3.1
San Nicolas Districts	4,089	4,574	13,752	13,546	3.4	3.0
Grand Total	19,193	22,174	68,537	66,696	3.6	3.0
Adjusted Discrepancy		14%		-2%		

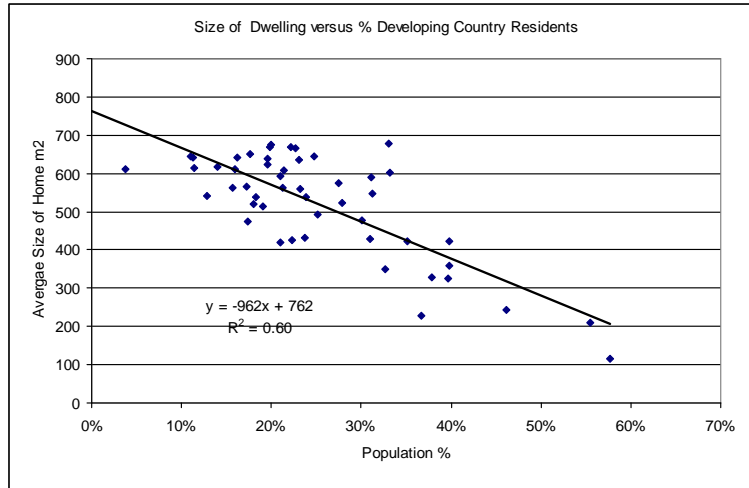
Intensively Used Land:

Many other factors could be introduced into the above calculation, for example, the relationship between short and long-stay migrants and differences between income and accommodation levels between immigrants from developed (mainly North America and Europe) and developing countries (mainly the Caribbean Basin). In the above calculation it is assumed that natives and migrants occupy a similar mix of dwellings. As shown in [Figure 2.9](#), census tracts with above 30% of population from poorer countries have a significantly higher density of homes. This is likely due to the number of short-stay migrants, many of whom live in single rooms in the more crowded parts of Oranjestad and San Nicolas while settled migrants enjoy housing conditions comparable with other residents.¹³

¹² A similar trend, also evident from a comparison of the 2000 Census and the ongoing Census of Business is the extent to which there is multiple uses of properties (or terrain) for residential and business purposes. This is to be expected given the relatively high proportion of small businesses in Aruba.

¹³ This assumption could be verified from the 2000 Census and the information used to fine-tune the above calculations as to the pace of land development. The assumption made in the calculation of population limits is that migrants who settle permanently will aspire to the same standards of accommodation as native Arubans.

Figure 2.9. Size of Dwelling Relative to Proportion of Migrants



Public Utilities and Waste Disposal:

Some information is available as to the relative demand of the tourism industry for commercial environment-related resources. The UNDP study shows that tourism – hotels, restaurants, airlift and shipping are responsible for about 16% of waste - excluding construction waste that can be used for site reclamation (Table 2.9).

Table 2.9. Solid Waste by Activity in Aruba.

Solid Waste	Tonnes/Year	Share by Weight	Excluding Construction
Construction	94.8	54%	
Households	61.7	35%	77%
Hotel and Restaurant	10.3	6%	13%
Other Business	4.5	3%	6%
Air and Ship	2.7	2%	3%
Medical and Slaughter	0.5	0%	1%
Total	174.5	100%	100%

Based on UNDP 2002 using data from VROM 1996.

A study based on data from 1991-93 shows that the tourist sector is responsible for nearly 20% of water use and some 24% of energy used, after internal power used for water

distillation and generation are deducted (Table 2.10.). These data refer only to direct amounts. Total use including indirect effects may be calculated through an input-out method using satellite or integrated environmental accounts.¹⁴

Table 2.10. Power and Water by Activity in Aruba

Activity	Days spent on Island	Water Volume	All Energy	Energy Ex. Utilities
Oil		12.3%	2.8%	8.3%
Utilities		2.1%	65.8%	
Tourism		19.8%	8.2%	24.0%
Other Business		12.5%	8.2%	23.9%
Households		51.6%	14.3%	41.8%
Government		1.7%	0.7%	2.0%
Total		100.0%	100.0%	100.0%

These data may be used to estimate the relative use of water and energy by tourists and residents. Based on data for 1996 there were 640,000 stay-over visitors and 317,000 cruise visitors. At 7.1 and 0.5 days average stay this means that tourists spent about 4.9 million person-days on the Island in 1996 while about 85,000 residents spend 365 days. Thus, on a daily basis tourists use 2-4 times as much energy and water as residents, but produce roughly the same amount of solid waste.

¹⁴Ahmad, Y. et al. 1995. Environmental Accounting for Sustainable Development. UNEP, World Bank Symposium. An extension of this approach for Aruba is given in Cole, S. 1997. Economic Cultures and Ecology in a Small Caribbean Island. In Economy and Ecosystems in Change. J. Van den Berg and J van der Straaten. Edward Elgar. UK.

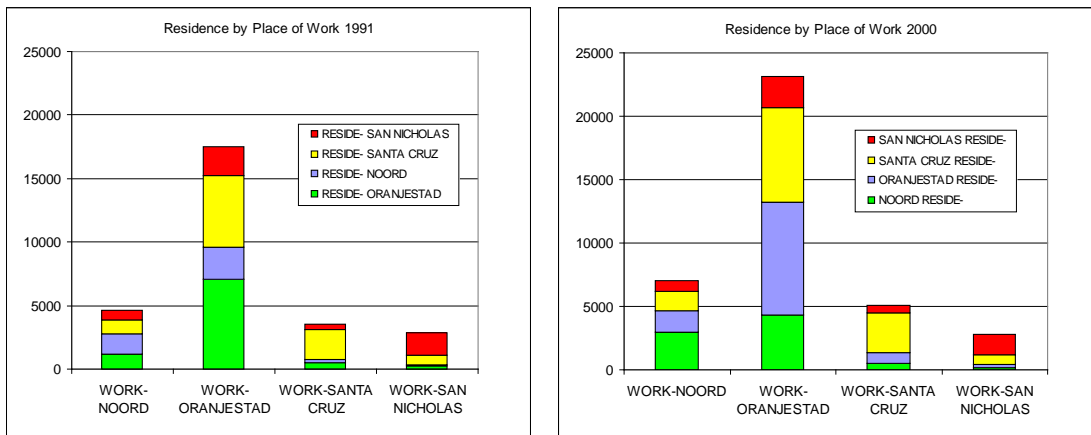
Table 2.11. Relative Use of Environmental Resources by Sector

Activity	Days spent on Island	Water Volume	Energy Ex. Utilities	Solid Waste Weight
Tourist/Household	15%	38%	57%	17%
Relative Use/per person		2.5	3.8	1.1

Reduction in Commuting:

The environmental and economic impacts of travel are a concern for the environment and sustainability. There are two principal causes. The number of motor vehicles in Aruba has risen greatly over the last decades at even a faster rate than the growth of population. There is a regional mismatch between where people live in Aruba and where they work. In part this is a delayed effect from the closing of the Lago refinery in San Nicolas and the rapid expansion of tourism in Noord and Oranjestad, which has increased the overall level of commuting. The distribution of workplace and residence by region in 1991 and 2000 is shown in Figure 2.10.

Figure 2.10. Commuting by Place of Work and Residence



On the basis of information in the 1991 and 2000 Census of Population it is estimated that the distance traveled to place of work and back in Aruba has risen from 83 million km in 1991 to 107 million km in 2000, or about 30%.¹⁵ The distribution of commuting by residence and place of work is shown in [Figure 2.11](#).

The possible impact on the total level of commuting on a regional change in the distribution of tourism has been computed. [Figure 2.11](#) compares the consequences of adding an additional 5,000 new rooms in the existing tourism strip (equally divided between the tourism corridor and Oranjestad, with approximately 4000 of the rooms located on the southern end of the Island, and 1000 in the tourism corridor.) This approximate calculation suggests that the additional commuting induced by tourism would be reduced by 42%.

¹⁵ The calculation here is indicative only. Average commuting distances is estimated between the four main districts. Commuting patterns are assumed to remain stable.

Figure 2.11. Commuting Distance by Place of Work and Residence

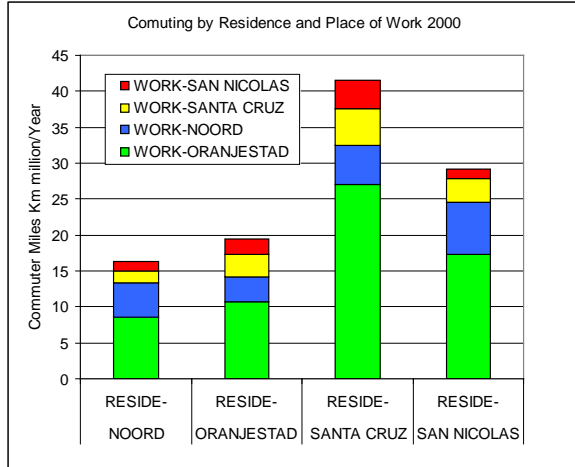
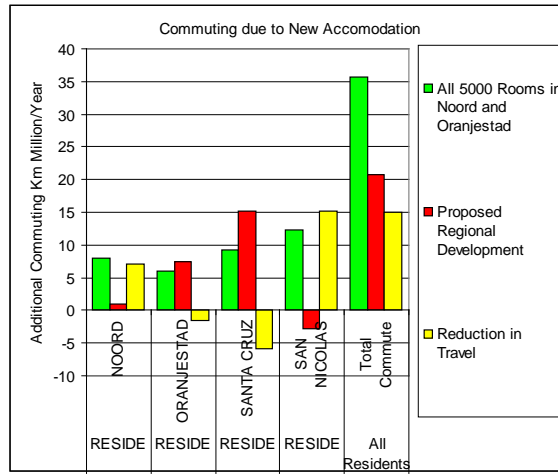


Figure 2.12. Savings from Regional Redistribution of Tourism



3. NEW HOTEL PROJECTS: IMPACT ON EMPLOYMENT AND MIGRATION

3.1. Tourism and Employment

This section considers the relationships between the type and number of jobs created by incremental additions, large and small, to the Island's hotel stock, the level and structure of unemployment by sector and occupation, and the willingness or ability of residents to take up employment opportunities created. The significance of these relationships is considered first in relation to past events and current policy in Aruba, and second, in relation to specific types of hotel development and the relationship between job creation, unemployment, and migration in Aruba. More illustrative and detailed calculations based on the specific requirements of selected styles of accommodation and specific occupational and residential status of employment and unemployment in Aruba, are presented. The results are used in the employment sub-model for the long-run scenarios described later.

From the beginning of tourism in Aruba it has been the policy to promote the development of large hotels (200 rooms and up). This was designed to offset unemployment, generally with substantial public subsidies. This was the case with the ARUVEN hotels developed to offset layoffs from Lago from the late 1950s onwards during the recession following the refinery's shutdown in 1985. Also, the policy was recently advocated in the Vision, Courage and Discipline document (August 2002). The scenarios will illustrate the implications of continuing this policy for the short-run run growth of population in Aruba. Other matters, such as the economic, fiscal, and land use implications are considered elsewhere, as is the genesis of the large-casino hotel model as the foundation of the Aruban tourism.¹

The basic math behind the calculations in this section may be illustrated as follows: A "typical" hotel in Aruba has about 1 employee per room and the spending by visitors outside the hotel (restaurants, entertainment, etc.) provides 1 additional job. Through the multiplier

¹ An historical account is given in The History of Aruba Tourism (draft) AHATA, May 2003.

effect, spending by tourist sector in other local business, and by tourism sector workers creates a further 2 jobs in manufacturing, retailing, services, construction, and the public sector. Thus, the opening of 1 additional hotel room, directly and indirectly, provides 4 new jobs. This does not include the jobs created during the construction phase.

If the typical hotel has 200 rooms this leads to the creation of 800 jobs. So if there are 800 unemployed resident workers in Aruba, it might seem sensible to recommend construction of this size of hotel. Contrarily, many Arubans are not predisposed to take the lower level jobs offered by the tourist sector, are not familiar with the opportunities, or are not qualified for the more senior positions, and prefer to remain unemployed. (This mismatch between the structure of occupations and unemployed Arubans is explained in more detail below). If only one third of the unemployed (say 300) are prepared to take up the jobs, then the balance (500) is likely come from overseas. Once the accommodation is built, the government has had little option but to operate an open-door policy to overseas labor. Repeated over time this process systematically pumps up the total population of Aruba, without solving the unemployment problem.

The consequences of this approach were seen at their most extreme in the late 1980s and early 1990s with the opening of several large hotels and expansions (totaling nearly 3,000 additional rooms between 1989 and 1991). Nominally, this number of rooms was assessed to offset the total direct and indirect job losses arising from the shut down of Lago (about 1,200 directly and 6,000 indirectly). The figures uses above would suggest a need for about $7,200/4 = 1,800$ new hotel rooms. Possibly due to a misunderstanding of the difference between the hotel-room employment multiplier (Total Jobs/Hotel Jobs approx. 4) and the smaller tourism sector employment multiplier (Total Jobs/(Jobs in Tourism approx. 2) the required rooms were calculated to be considerably higher so the decision was made to triple tourism by 1990.²

² Another element here was that the international agencies involved in the strategy considered the target of tripling the level of tourism “ambitious” i.e. they did not expect it to work. Consequently, there was insufficient consideration given to the side-effects of success.

Even when, after 1990, it became obvious that far too many hotel rooms were planned, and that a good deal of additional immigration would ensue, the guarantees to developers that were already in place determined that the construction of new hotels would continue. Moreover, there was a trade off between this additional immigration and the need to complete construction of hotels in order for the government to gain the revenues needed to pay of guarantees on failed projects.³

The historic link over the period from 1985 to 2000 between the growth of tourist accommodation and the level of immigration has been tested by comparing the reported number of hotel rooms with reported data on immigration and domiciliation in Aruba.⁴ In addition, immigration may be compared with the number of jobs created through this expansion of tourism. The number of jobs created by tourism, directly and indirectly, is calculated approximately from the number of new hotel rooms opened each year together with average jobs per room in hotel construction (over a 2-year period) and in operation and average employment multipliers for calculated from an Aruba input-output table. As shown in [Figure 3.1](#), the trends are in fair agreement, given the weakness of the data, on the assumption of a 2-year lag in the reporting and/or registration of immigrants. This may well be the case. For example, an amnesty on immigration was adopted in the early 1990s. At this time it was suggested that as many as 7,000 illegal workers lived on the Island. Thus, from the historical record it appears that new hotel construction of the kind undertaken from

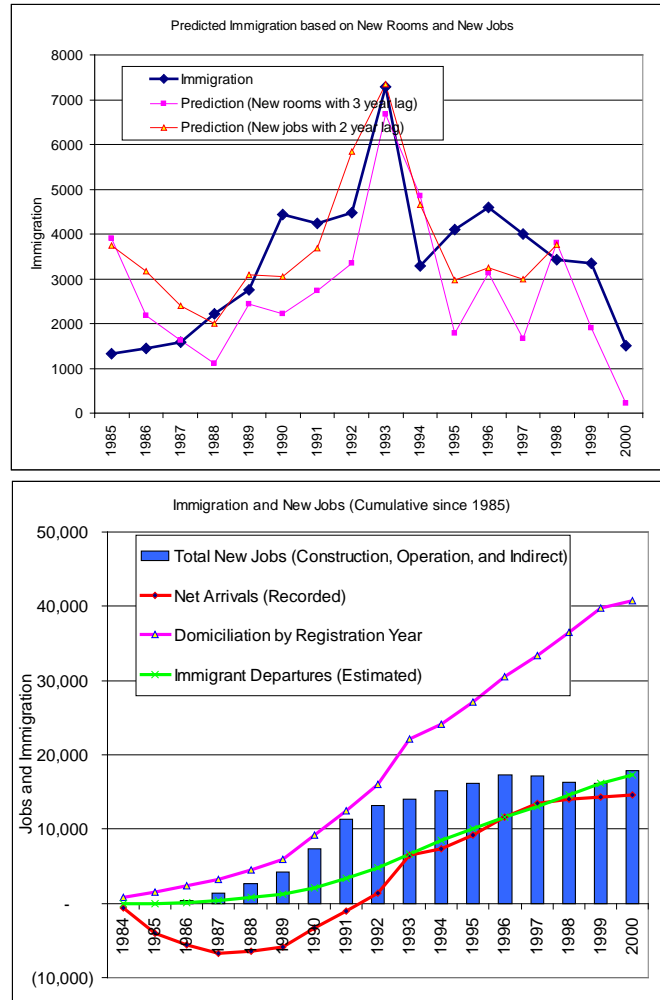
³ An incomplete cost-benefit calculation was used to make this case (Arthur Consulting, 1994). The revenue stream (room tax, departure tax, etc) from the expected new visitors was not discounted to present value and so exaggerated its size compared to the costs by a significant amount. While the fact that the Government would end up with some additional costs for social services, schooling, health care for guest workers and dependents was noted, this was not accounted for.

⁴ There are minor difficulties with the data on the number of rooms including inconsistencies between the statistics provided by AHATA, the Department of Economic Affairs, the CBS, and so on. There are major difficulties with respect to immigration and settlement data, some information is reported several years after the fact. Moreover, it is not possible to separate returning Arubans from new migrants. This limits the possibility of very precise testing.

1985-2000 on average brought about 3 migrants to Aruba for every local job provided seems tenable.⁵

⁵ The Arthur Consulting Report (1994, VII-16) using Immigration Department data (DOOV) reports far higher imports of foreign labor totaling 28,100 during 1988-1993. At this time unemployment was about 1% so all 2,971 new jobs for projects in 1994-1996 would be new immigrants. This report recommended that the Government plan for an influx of more than 3,000 additional hotel workers, saying that this level was “manageable” given the more than 28,000 guest workers that already had been absorbed by Aruba since 1988. This report did not mention the other tourism-related and downstream workers. The NTC study uses immigration data based on information from the CBS since this is more easily related to settlement patterns and long-term population growth. However, taken at face value, the DOOV data suggests that there are many short-stay guest workers, or a high level of unreported settlement, or both.

Figure 3.1. Historical Relationship between New Rooms and Migrants 1985-2000



3.2. Construction Cycles and Occupancy

A perennial problem arising from the construction of large hotels in Aruba is that they may represent such a large increment to total room stock that opening of a new hotel depresses occupancy, and hence profitability in all competing accommodation on the Island. In the

early days of tourism in Aruba the problems arising from the addition of large (percentage) increases in the number of rooms was not fully appreciated. This was pointed out in the first Aruba Tourism Plan particularly with respect to the effects of the 400-room Concorde hotel, a 30% increase in total rooms (IDAS, 1981). As a resort-wide problem this effect is reduced with time as the percentage increase in room stock declines as the total number of hotel rooms grows. The resort-wide effect increases if the typical size of new hotels increases, and declines as the resort diversifies its products (luxury, economy, timeshare, etc.). Nonetheless, since all classes of accommodation compete at the margins, effects are transmitted between them.

The recommendation of IDAS and later consultants was to only issue a permit for the construction of a new hotel, when resort-wide occupancy rises above a specified level (say 80%). Applying this rule has two consequences: First, it will induce a cyclical behavior in the sector (similar to a business cycle); for example, if the planning and construction of a hotel and then operation up to “full” capacity takes 4 years then growth of the sector will reflect this. The second consequence is that if a new hotel is constructed every time occupancy reaches a target level, all else being equal, there will be a continued and exponential expansion of hotel stock that is divorced from local social or environmental considerations (although, ultimately, these concerns or reactions of visitors may halt the growth process.)

The genesis of tourism in Aruba was a means for the government to offset fairly massive unemployment using public funds. This beginning, and the high level of competition between resorts in the Caribbean, means that international hotel chains and local investors expect to receive generous subsidies. This is the case even where they appear not to be warranted to ensure a reasonable level of profitability or when they might be justified by “infant industry” considerations.⁶

⁶ Fiscal balance calculations indicate that in the short run the taxes paid by new immigrant workers help to cover the cost of supporting unemployed, under-employed, and dependent residents. However, in the long run, the revenue gap reopens as about half of all immigrants settle on the Island and are absorbed into the resident

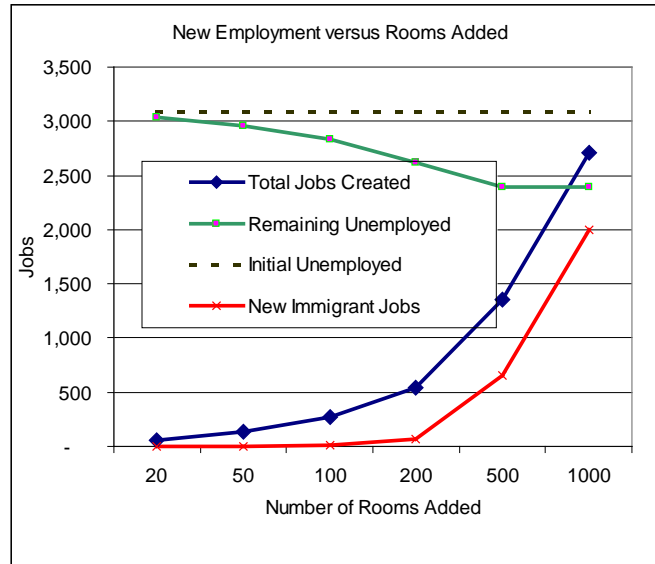
Collectively, the above issues – public subsidies exclusively to large hotels, a mismatch between Aruban workers and job opportunities, investment and occupancy driven investment cycles – contribute to the tourist sector driven population growth that has been a major factor in the environmental, social, and other pressures underlying present concerns about development in Aruba. From a narrow employment-focused perspective the underlying problem with respect to population growth is that too few residents (Arubans and migrants) are qualified or willing to take up the jobs created by large hotels.

3.3. Unemployment, Training Needs, and Immigration

Figure 3.2. illustrates the impact of the relationship between the number of new hotel rooms constructed and unemployment, and new immigration using presently available data (i.e. unemployment and occupational structure based on the 2000 Census). Recorded unemployment is around 3,000 persons – although only about 25% of this number are native Arubans who are skilled (i.e. have experience of experience in the relevant occupations or sectors) or willing (i.e. not chronically unemployed) to take up the new employment in hotels and other sectors of the tourism industry, or downstream in the economy at large. When the number of additional new rooms is below 200 so that approximately 800 new jobs are created in total, the level of new immigration is relatively low. However, if the increment in the number of rooms increases to above 300 the number of immigrants exceed the number of new jobs taken by the local population, whilst there is little further reduction in the numbers of unemployed residents.

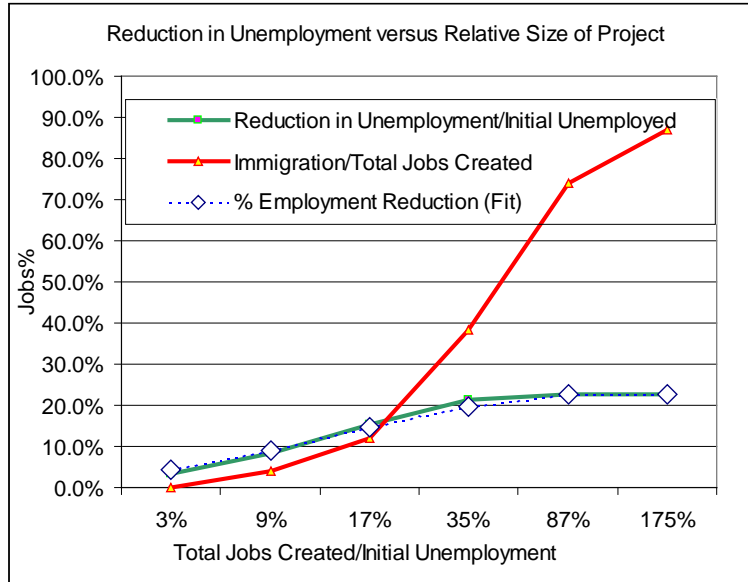
population. Hotels with guarantees, tax holidays, and employing mainly overseas labor make appear not to make a net positive contribution to public revenues when all direct and indirect costs and benefits are accounted for.

Figure 3.2. New Rooms and Local Jobs Added with Present Unemployment Rate (2000)



The reduction in local unemployment depends on the number of unemployed and their ability and willingness in relation to the number of jobs available. Thus, the above relationship may be seen in relative terms as the relationship between the number of vacancies, initial number unemployed, and their suitability for the jobs created. The number of new jobs for residents has been estimated statistically from a comparison of unemployment by occupation and sector versus jobs created by occupation and sector. The relationship is parameterized using the notion of a job match propensity – the reduction in unemployment when the number of unemployed is equal to the number of jobs created. The above results suggest that in Aruba this is only about 25%. Figure 3.3. shows the likely match of native-born workers to the new jobs created relative to the current number of unemployed.

Figure 3.3. Estimated Relationship for Job Matching and Reduction in Unemployment



There are several “solutions” to the general problems posed above - build fewer or smaller hotels or additions to existing hotels, improve the match between the labor force and job opportunities (through awareness campaigns or training), reduce the overall labor requirement by eliminating more tedious jobs and raising labor productivity in hotels and tourism generally, or, increase the number of higher quality jobs in downstream sectors (such as business services), etc.

The gains to local employment by improving the match between jobs and workforce are illustrated in Figure 3.3. With the current match of unemployed to occupations by sector (around 30%) there is little to be gained (in terms of reducing local unemployment) by creating jobs in excess of around 60% of the prevailing unemployed labor force. There are limits to the possibilities for a small island such as Aruba to improve the match between the skills of its population and the needs of a dynamic competitive economy indefinitely.

Nevertheless, the present rather low figure might be increased through a variety of initiatives.

In the short-run, the match can be improved if a proportion of the Island's chronically unemployed are retrained through initiatives such as the (Marriott International/Department of Social Affairs 'Pathways to Independence Project'), and if current-job seekers are retrained to work in other sectors or in new occupations. In the long run the greatest improvement will come when young Arubans entering the labor force are better prepared for and become more accepting of the employment opportunities in the tourism industry. This involves awareness campaigns and revised school curricula, as well as adapting the style of tourism (e.g. size of establishments, etc.) to a smaller scale. From an island perspective it is appropriate to sacrifice some economies of scale in order to reduce the repeated cycle of immigration. Moreover, there are other advantages, such as possibilities for greater inputs of local labor, goods and services, as well as improved possibilities for revenue collection.

The strategy outlined in this report is based on the assertion that decisions about additions to the number of hotel rooms in Aruba should be based on the needs of the Aruban population – in terms of jobs, income, public sector requirement, and support for young and elderly dependents. The starting point for assessing these needs from the point of view of employment is the "natural" growth of the Aruban labor force (i.e. increases due to native-born youth joining the labor force and others retiring. This is actually a fairly small number, about 330 year on average over the next 40 years which would indicate an additional 3,800 rooms over this period (with current average levels of productivity). Beyond this, growth is determined by possibilities for productivity improvements (in tourism, the public sector, and the economy at large), and by the performance of other export sectors. Given such considerations and possibilities discussed elsewhere, the preferred level is probably about twice this figure.

Although there are some clear advantages in terms of population growth and immigration to reducing the average increment to the hotel stock in Aruba, there are also economy of scale issues for individual properties, transportation, and marketing, and agglomeration considerations, requiring that some balance be found in terms of the mix of properties. Inevitably, additions to hotel accommodation will be discrete (a mix of large and small hotels) and external factors (new markets and competing destinations) will create fluctuations in demand. To the extent that the latter can be anticipated and their impact on employment levels in the sector and the economy at large, it makes sense to match the development of new accommodation to the anticipated needs. An important aspect of this is to be able to predict the employment implications of a specific development given the expected level and structure of unemployment.

3.4. Example of a Large (450 Room) Luxury Hotel Casino

The calculation here uses the proposed 450 room five star hotel in the Visions Report as a working example.⁷ The calculation here deals with the project as proposed in “Visions” and primarily addresses the second part of Condition 1 for the project remarked in the Visions Report that the expansion “should be absorbed entirely by the local working population.”

Jobs/room and multipliers are based on imputed cost structures for different styles of hotel currently or potentially in Aruba currently being assessed for the NTC. The data are adjusted to be overall consistent with the CBS National Accounts.⁸ It is emphasized that an evaluation of any given hotel project should be based on current information about the Island (unemployment, tax rates, etc.) and project development (employment, construction costs, occupancy, etc.). Nonetheless, different styles of accommodation have distinctive cost

⁷ The calculation is illustrative of the type of employment impact analysis estimation for individual projects that might be useful in the NTC Strategic Plan. It could be complemented by assessments of economic impacts (e.g. household income), fiscal impacts (i.e. government revenues and expenditures), and environmental impacts (e.g. physical land use and emissions).

⁸ Final data await responses to the on-going survey of all hotel and timeshare establishments and information related to the National Accounts.

structures, operating performance, etc. and so the merits of each style relative to current and future social and economic needs can be calculated and provide a basis for considering the overall mix of accommodation.

Because of the number of jobs indicated in the Visions Report (1.5 per room), it is assumed here that the proposed hotel includes a casino (Visions Report, p 6). On average, superior hotels in Aruba employ about 1.37 workers per room (1.07 workers per room for hotel duties and another 30% in the casino), although exclusive “ultra” hotels employ significantly more.⁹ Based on this, and on an optimistic local purchase content of around 50% of total goods and services, the employment multiplier on the 1.37 jobs is estimated to be 3.14 for this class of hotel. This suggests that both the employment per room and job multiplier used in the Visions Report may be somewhat high (although more realistic than those in some previous studies in Aruba, which have generally been too low).

Thus, the total number of jobs created through the project (excluding construction) is less than the 2,700 indicated in the Visions Report. Direct jobs created in the hotel/casino are likely to be about 530, and total jobs about 1,664. This might suggest that a larger hotel or several hotels should be built in order to counter the recorded 3,119 unemployed as reported in the 2000 Aruba Census of Population. Unfortunately, there is a mismatch between the potential employment created by a large project and the prevailing unemployment in Aruba.

First, the direct and indirect jobs created by the project have a particular skill structure (i.e. in terms of experience, professional and other qualifications).

Second, only 20% of job-seeking unemployed (about 266) have worked, or are seeking employment in, the hotel/restaurant sector.

⁹ The OAS (1987) suggests that the “only common denominator” for the quality of hotels in the Caribbean is the ratio of employees to rooms. At that time, a five star (deluxe) hotel had 2+ employees per room. According to the AIB 1988 the Aruba Hyatt in 1990 cost US\$44 million with 350 rooms and 385 employees, i.e. US\$130 per room with 1.1 jobs per room. Employee/room ratios have been falling steadily in Aruba since the 1960s at an average rate of about 2% per annum. Reported construction costs in Aruba are especially irregular.

Third, about 60% (1,778) of the unemployed in Aruba are long-term unemployed (i.e. they have no recent work experience) and may have difficulty working or in getting hired. This may require considerable effort on the part of social services, etc.¹⁰

Last, about 49% of the job-seeking unemployed are native-born in Aruba and have only a primary level education. Moreover, many of the unemployed are relatively young with 27% in the 15 to 19-age bracket.

This structure of demand and supply in the labor market is likely to place limits on the extent to which currently unemployed workers can be absorbed into the direct and indirect job opportunities created by a new hotel project as demanded by Condition 3 in the Visions Report (p6). It is possible that the project could be paced to the rate at which local unemployed workers can be retrained and the long-term unemployed enticed back into the labor force. Otherwise, as has generally been the case in the past, new migrants will complement local labor.

The following charts and tables summarize a calculation of the possible distribution of jobs generated by a 450-room hotel/casino project.

¹⁰ It is assumed here that the remaining 1,300 unemployed are actively “job-seeking”, although this may not always be the case. For example, of the 1,300, about 15% have been unemployed for over a year, which is troublesome given that there is little unemployment in Aruba and considerable turnover in the labor force.

Figure 3.4. Jobs by Occupation (ISCED category) versus Job-Seeking Residents

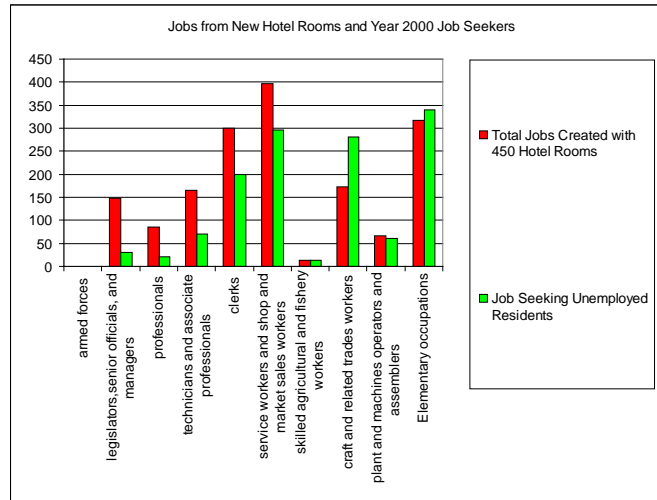


Figure 3.4. shows the relative number of jobs in each ISCED category created directly and indirectly by the project, and the number of job-seeking residents.

Red bars show the number of workers by occupation required for the project (450-room luxury hotel with casino, plus all downstream employment occupations). Green bars show the available jobs-seekers by occupation. Overall, the chart shows that there are insufficient resident job seekers in the higher skill categories.

Figure 5 gives details of the above employment structure and imputes the immigration and/or retraining of residents. It has been assumed that 75% of the jobseekers would be suitable for the available jobs and also that 5% of long-term unemployed can be brought back into the labor force. This begs questions for the NTC as to the possibility for phasing the project over sufficient time for re-training of necessary workers, or the flexibility of education and job preparation.

Given these assumptions, the calculation shows that, even with a 450-room project, a considerable level of immigration would be induced, about 578, roughly equal to the number of direct jobs in the luxury hotel/casino. Most of these immigrants would fall into the higher-skilled, and management-level occupations.

Figure 3.5. Employment, Unemployment, and Immigration (450 New Rooms)

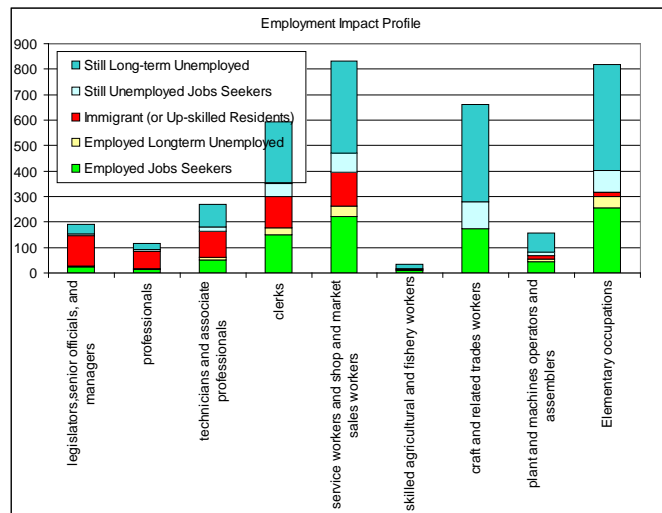


Table 3.1. Summary of Job Creation (450 Rooms)

Style	Luxury/Casino
Rooms	450
Jobs/Room	1.37
In-house Jobs	530
Other Jobs	1134
Total	1664
Multiplier	3.14

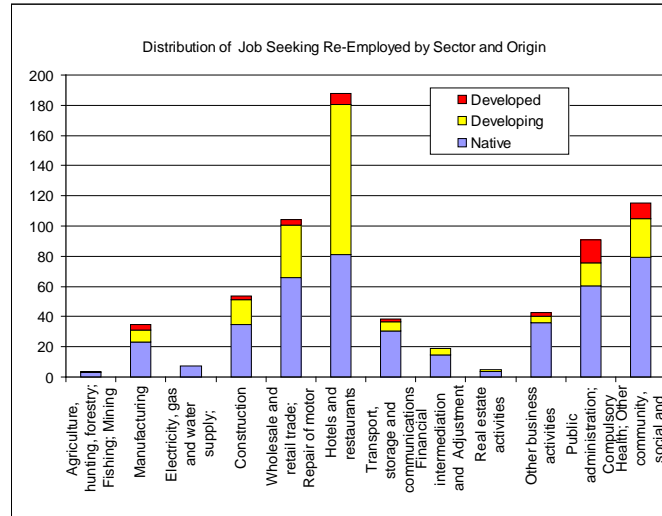
Job Distribution

Job Seeking Unemployed Residents	1310
of which Hotel/Restaurant	266
Long-Term Unemployed	1782
10 % of Long Term Unemployed	174
75 % of Job Seeking Unemployed	983
Employed Jobs Seekers	946
Employed Long term Unemployed	140
Immigrant (or Up-skilled Residents)	578
Total Unemployed	2006

Note: Some Minor Data Scaling Errors Remain

To the extent that the stated aim of the hotel project proposed in the Visions Report is to employ Arubans, and more specifically, native-born Arubans, the picture is even less positive. If jobs for residents (both job-seekers and long-term unemployed) were awarded pro-rata to the number of job native and non-native unemployed, then 57% of the jobs in the hotel, restaurant and trade sector would go to non-natives. Native Arubans would take up 702 of the total 1664 direct and indirect jobs created by the project, some 26% of total.

Figure 3.6. Employment and Immigration Due to Large Hotel (450 Rooms)



It becomes clear why, in the past, when many projects have been undertaken simultaneously in Aruba that much immigration has been induced whilst leaving a significant number of local workers unemployed. For example, if the hotel project is up-scaled to meet the target of 2,700 jobs indicated in the Visions Report, the proportion of migrants required increases greatly (because of the limited size of the local labor pool). In this case the 884 hotel jobs would lead to 1,613 new immigrants, a greater proportion of which would belong to the lower-skilled occupations.

Figure 3.7. Employment, Unemployment, and Immigration (750 Rooms)

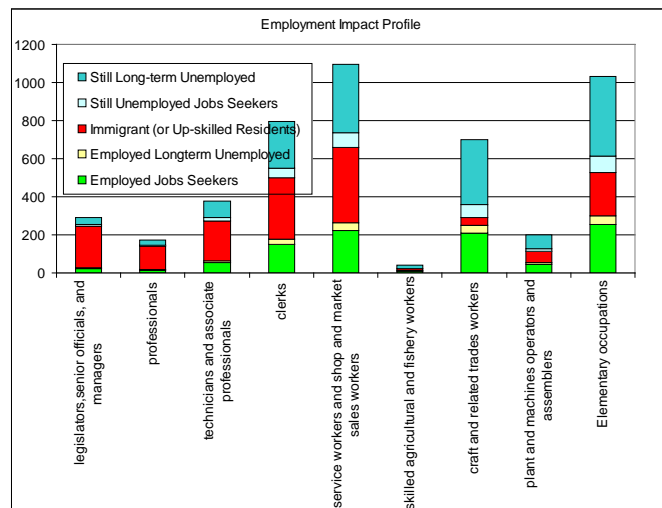


Table 3.2. Summary of Job Creation (750 Rooms)

Style	Luxury/Casino
Rooms	750
Jobs/Room	1.37
Inhouse Jobs	884
Other Jobs	1890
Total	2774
Multiplier	3.14

Job Distribution

Job Seeking Unemployed Residents	1310
of which Hotel/Restaurant	266
Long-Term Unemployed	1782
10 % of Long Term Unemployed	174
75 % of Job Seeking Unemployed	983
Employed Jobs Seekers	983
Employed Long term Unemployed	178
Immigrant (or Up-skilled Residents)	1613
Total Unemployed	1931

Note: Some Minor Data Scaling Errors Remain

3.5. Example of a Small Boutique Hotel

In contrast to the last calculation, Table 3.3. shows the impact on employment and immigration of a smaller hotel – in this case a 100-room boutique hotel. In this case, almost no immigration arises; however, because of the scale of the project, the overall reduction in unemployment is less.

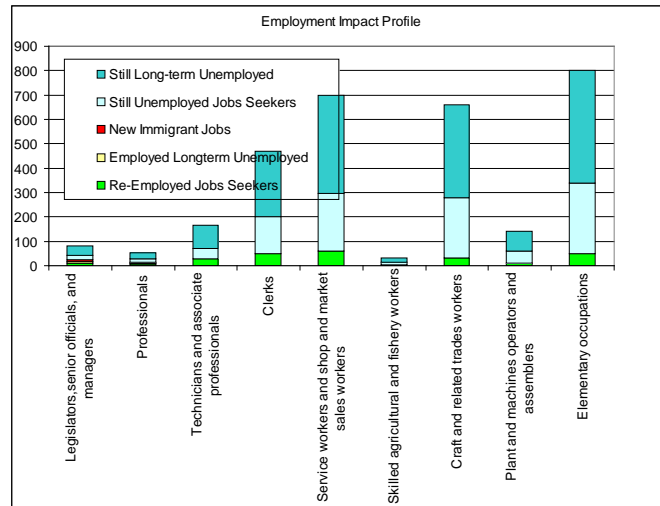
Table 3.3. Summary of Job Creation (100 Rooms)

Style	100 Rooms (Boutique)
Rooms	100
Jobs/Room	0.80
Inhouse Jobs	69
Other Jobs	202
Total Jobs Created	270
Multiplier	3.93

Job Distribution

Job Seeking Unemployed Residents	1310
of which Hotel/Restaurant	266
Long-Term Unemployed	1782
10 % of Long Term Unemployed	174
40 % of Job Seeking Unemployed	524
Re-Employed Jobs Seekers	252
Employed Longterm Unemployed	7
New Immigrant Jobs	12
Total Resulting Unemployed	2834

Figure 3.8. Employment, Unemployment, and Immigration (100 Rooms)



3.6. Construction Jobs

The estimated investment per unit given in the Visions Report (p6) of Afl525 thousand per room (about US\$292 thousand) appears to be somewhat above average US construction costs for high-rise luxury hotels, including cost of land. The Table below shows 1999 US costs to be about US\$230 thousand for such hotels, including the cost of land. Without land, costs fall by over 30%. Moreover, a low-rise luxury hotel costs far less. The cost of a low rise 450 room low rise hotel without land is \$40.5 million -- about 60% less than the \$101 million for a high rise luxury hotel in the US, and only 31% of the figure given in the Visions Report. A low-rise hotel is also more likely to meet the objective for use of local construction workers and professionals as in Condition 2 of the Visions Report (p6).

Table 3.4. Luxury Hotel Construction Costs 1999 (Amounts in \$1000s per room)

Style	Construction	Equipment	Total	Land	Total with Land
Low Rise Luxury	74	16	90	11.3	101.3
High Rise Luxury	150	40	190	33.9	229.9

Source: HVS International 1999. Excludes pre-opening, and operating capital

The 2000 Census shows there to be 248 unemployed construction workers in Aruba. This roughly corresponds to the number construction workers needed to build a high-rise 450-room hotel over a 3-year period (as indicated in “Visons” p6).

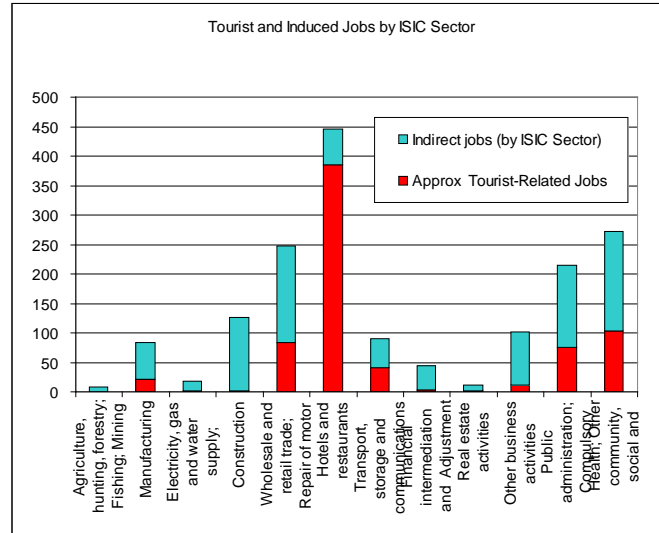
Table 3.5. Total and Annual Construction Labor Required for Project

Item	Total Job Years		Annual Average	
	Direct Jobs	Total Jobs	Direct Jobs	Total Jobs
Rooms	450		250	
High Rise Estimate	731	1870	244	623
Low Rise without land Cost	294	752	98	251
Construction phased over			3	Years
Unemployed Construction Workers			248	

Note: Based on average construction data.

Thus it might be possible to construct the project largely using local labor provided the style of construction, etc., were matched to local skills and construction firms. These activities too will induce additional demand for labor, including construction workers. For example, the operation of a 450-room hotel would create about 120 permanent construction jobs to meet the downstream demand for construction of dwellings and businesses. This number would likely increase if many of the hotel and other workers were migrants. In general, the construction of a hotel project will not coincide with its operation, so the phases – construction, marketing (for timeshare) or build-up to full occupancy, and operation – should be treated separately.

Figure 3.9. Construction Jobs (450 Rooms)



In order to provide a more precise estimation of the level and composition of job creation from any hotel project it is necessary to have information specific to the project, including details of expected construction costs, source of materials, direct employment, tax regimes, and so on. Nonetheless, the above gives a broad picture of what might be expected. Moreover, the example shows why projects should not be considered on a one-by-one basis, but as part of a stream of projects so that the total demand from all on-going projects in each year is matched as far as possible to the current available labor pool. For example, the number of jobs that would be created by the projects totaling nearly 1,200 rooms that have been proposed or initiated since 2000 more than matches the unemployment recorded in the 2000 Census of Population.¹¹

¹¹ The following expansions of existing and new accommodation are: Bucuti (39), Divi Dutch Village (240), Divi Phoenix (149), Marriott Beach Club (450), Ray Gar (55), Wyndham (150), Aquamarina Hotel/ Harbor Town (100). Source AHATA (2003).

4. TOURISM DEVELOPMENT STRATEGIES AND SCENARIOS

4.1. Strategies and Scenarios

This section projects three tourist development strategies differentiated by styles of tourism and policies for electing when to develop new projects. The strategies are selected in order to illustrate the long-term behavior of different policy choices and the rationale for the overall tourism strategy framework proposed. These findings are then used to illustrate how specific policies may be applied to promote development goals in Aruba. These goals are: to achieve full employment, raise incomes, reduce extreme fluctuations in the tourism sector, balance public sector accounts, coordinate with other policies, reduce population growth through immigration, and to achieve sustainability.

For purposes of definition a **strategy** comprises the rationale (i.e. why a choice is made), the style of tourism (i.e. what, where and how it will be implemented), and its timing (when it will be introduced). The policy decision may reflect both public and private sector interests and the style may include a mix of tourism products.¹

A **scenario** is the combination of the strategy and its possible outcomes.² Outcomes include the extent to which targets are met (e.g. levels of income or employment) as well as overall trends (e.g. growth rates and turning points), and any difficulties associated with the strategy (e.g. excessive variability in the projected trends). A scenario may also include other trends or policies that are not part of a tourism strategy, but nonetheless affect its outcome, including how a given strategy may be affected by the strategies of other actors. Thus, exploring a range of scenarios helps us to test the robustness of strategies as well as to identify the component policies. The strategies to be explored are summarized in Table 4.1.

¹ For purposes of illustration, the style is associated with a single class of hotel, as measured by the average number of rooms, employment per room, occupancy rates, income repatriation, and so on.

² A useful definition from Herman Kahn (1967) states that a scenario is a hypothetical sequence of events constructed for the purpose of focusing attention on causal processes and decision points.

Table 4.1. Alternative Tourism Styles and Policies

	STYLE OF HOTEL	POLICY	OUTCOME
Strategy 1	Luxury Chain Hotels	Occupancy Driven	Reproduces problems in Past Policies
Strategy 2	Aruba Average Hotels	Growth Target	Accelerates approach to Limits of Tourism Development
Strategy 3	Small Boutique Hotels	Match Unemployment	Provides starting point for New Policies?

Strategy 1:

Highlights the way in which a combination of processes that depend on the present structure of tourism in Aruba (a focus on large-scale hotels, a mismatch between the skills of the local labor and the jobs induced by tourism) leads to construction cycles in the tourism industry and new rounds of immigration that pump up the Island's population and reduces its attraction as a resort.

Strategy 2:

Emphasizes the vulnerability of growth-targeted tourism development to variability in visitor markets, including business cycles and unscheduled events. This has similar, but less predictable consequences to Strategy 1, which pushes the Island even more rapidly towards the limits of sustainability. It emphasizes that the Island can only afford to support its increasingly dependent labor force and contain unemployment through continued growth of tourism and increasing immigration.

Strategy 3:

Illustrates the possibilities and limitations of an Island-centered Aruban needs tourism policy based in part on a smaller-scale style of tourism. This strategy reduces the pace of immigration and population growth, but further policies are needed to reduce residual unemployment, budget deficits, and maintain a dynamic tourism sector. Here, it is necessary

to relate the strategy to other sectors of the economy, to policies affecting immigration and education, and to other aspects of policy coordination.

Each strategy is explored assuming that other trends in Aruba - such as the performance of the non-tourism export sector or tourism sector productivity improvements - are the same for all scenarios. The effect of variations in these activities will be considered following the exposition of the three strategies. In effect, each of these scenarios shows the consequences of repeating a pattern of behavior systematically over time, even when it becomes no longer appropriate. For example, the strategy of the government funding of large casino hotels when the Island had high unemployment, tourism was an infant industry, and the Island's population was relatively small, may have been reasonable in 1960, but has become self-defeating when continued over 50 years.

The implications of these strategies are explored for the years 2000-2045. This timescale (roughly two generations) is sufficient to explore the consequences past tourism expansion and immigration and to evaluate the longer-run consequences of different tourism strategies in relation to the carrying capacity of the Island. The prototype NTC tourism model described in Appendix B is used to calculate the implications for the growth of tourism, population employment and migration, and public sector revenues. At this timescale the model does not make predictions, it simply shows possible outcomes that can help guide tourism planning in Aruba.

It is emphasized that the projections and scenarios are illustrative of processes in tourism that must be accounted for by any new strategy. Studying a variety of policies and variations allows us to develop a robust plan. Although no single outcome may predict actual events as they unfold, understanding the process allows us to develop an adaptive process and to identify the policy adjustments that may be required to keep a chosen strategy on track. This said, the short-run forecasts and the projected long-run outcomes would be more reliable if further data became available. For example, more information on policies outlined in the Visions Report and greater clarity on the priorities that the NTC attach to various indicators (unemployment, income levels, public sector deficit, etc) are required to use these criteria to

guide the tourism strategy. For the present, the proposed approach (Strategy 3) begins by matching employment opportunities within overall land-use constraints, and then adapts this to address fiscal and other needs.³

Four charts, shown in Table 4.2, are used to describe and contrast the outcome of each strategy for tourism, employment, demography, and the public sector, with key indicators given for 15-year intervals from 2000 to 2045.

Table 4.2. Charts Used to Compare the Outcome of Strategies

<p><u>Chart 1. Tourism Sector</u></p> <p>Number of rooms opened each year and the number of visitors. Also the level of public support required and expected overall occupancy based on overall intensity of land use.</p>	<p><u>Chart 2. Jobs and Migration</u></p> <p>Number of unemployed native-born and migrant workers by year, and the number of new migrants required.</p>
<p><u>Chart 3. Population Trends</u></p> <p>Age structure of native born and migrant populations for each year, including first generation native-born population.</p>	<p><u>Chart 4. Public Sector</u></p> <p>Government revenue balance, with current total revenues based on current tax code and expenditures including infrastructure contribution.</p>
<p><u>Key Indicators:</u></p> <p>Population, dependency, employment, productivity and skills, tourist accommodation, occupancy, public revenue balances.</p>	

³ Because of insufficient data, revenue calculations in all scenarios include a restricted number of items and are based mainly on current average tax rates.

4.2. Characteristics of Tourism and Hotel Styles

The characteristics of the accommodation associated with the strategies are shown in Table 4.3. The relevant differences here for the scenario outcomes are size of hotel, the level of incentives, the employment multipliers, visitor spending, and retained taxable income.⁴ For purposes of comparison and presentation some data have been standardized across hotels.

Table 4.3. Data used to Illustrate Alternative Hotel Styles

Item	Strategy 1 Luxury	Strategy 2 First Class	Strategy 3 Boutique
Room Increments	300	400	50
Breakeven	60%	60%	60%
Incentive to Developer	50%	0	0
Hotel and Tourist Sector Jobs	3.2	2.7	2.3
Tourism Job Multiplier	1.9	2.1	2.1
Relative Spending outside Hotel	100%	90%	80%
Annual Reduction in Leakage	0.0%	0.0%	0.5%
Relative Discount Horizon	100%	100%	111%
Retained Taxable Income	60%	50%	80%
Years to Reach Job Match Target	25	25	15

⁴ With each scenario the current proposals for new accommodation (approximately 700 rooms) expected to be opened up to end-2004 is included, based on information provided by ATA in the style adopted for the strategy.

4.3. Strategy 1: Luxury Chain Hotels/Occupancy Driven

This strategy implies a continuation of the recent approach to tourism development in Aruba. It focuses on the development of further large-scale luxury accommodation similar to the more expensive international chain hotels already in Aruba. Hotel construction is triggered when overall occupancy on the Island following each round of construction reaches a given target level.⁵ In other words new construction is driven principally by investment opportunity. The outcome is shown in Figure 4.1.

Tourism Sector:

With this policy for hotel construction, the amount of investment in new accommodation each year depends on breakeven occupancy, target occupancy, investment per room, rates of return and discount horizons of investors. In this particular case, new investment will not occur without initial public subsidy for development of two new hotels (totaling 600 rooms). The subsidy is about half the construction cost. Following this initial stimulus, further development is self-sustaining with new hotels opening every few years. The number of visitors is doubled by 2040. Eventually reduced occupancy due to “over-crowding” depresses occupancy by around 10% and profitability can no longer be sustained through improved productivity.

Employment and Migration:

This pattern of investment has consequences for employment, unemployment, and migration. Given the initial relatively high rate of expansion resulting in about 1,100 new jobs annually, unemployment among native-born and resident migrants falls. However, this also results in an average influx of over 700 migrant workers annually. Because increments in the number of rooms are quite large, with clusters of 300-1200 rooms, the number of immigrants fluctuates markedly. Figure 4.1, shows how unemployment in the resident-migrant labor force and variations in immigration potentially cushions native-born workers against variability in the demand for labor. The residual unemployment arises from the

⁵ For example, IDAS (1981) recommended that new hotel construction should not be contemplated unless occupancy was above 80%.

continuing mismatch between the skills and occupational experience relative to the jobs created. Unemployment among resident migrants falls because their rate of departure exceeds the rate of job creation. After 2025 the attractiveness of Aruba declines leading to lower occupancy and profitability, and a slowdown in new investment. Without new jobs, unemployment among native-born workers rises to new heights exacerbated by new entrants to the labor force.⁶

Population:

With this strategy population grows to 120 thousand by 2020, driven mainly by the new immigration. The growth of the native-born population comes from native-born children of immigrants. Indeed, with no new immigration the size of the native population would level off, and possibly fall after about 2025. During the growth period up to 2020 the proportion of employed persons relative to total population remains fairly steady. In effect the arrival of new, mainly young, migrant workers without dependents enables the Island to continue to support the needs of its increasingly elderly native population. However once the pace of hotel construction and immigration slows, the proportion of elderly in the population increases.

Public Sector:

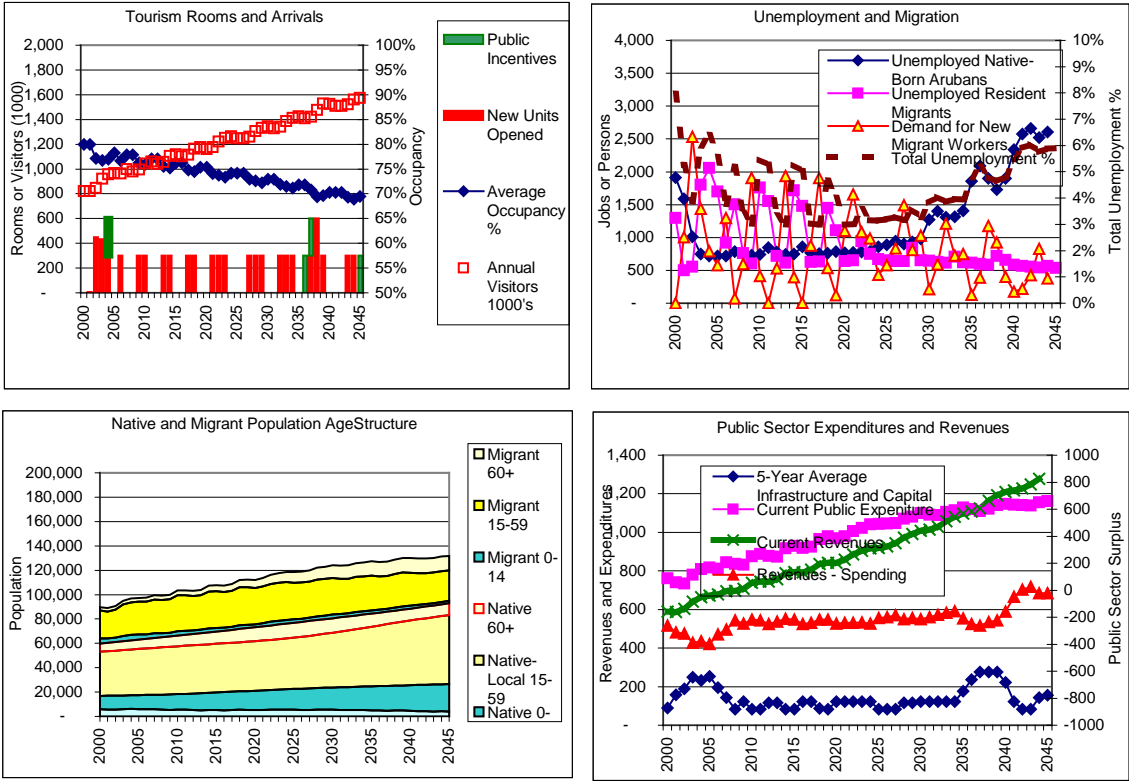
Public expenditures show a declining growth rate over time reflecting the growth of the general population, the proportion of dependents, and the number of visitors, as well as related infrastructure investment. Revenues depend on the size of the labor force and the number of tourists. Their relative numbers change due to continuing productivity improvements. By 2040, the public sector deficit has begun to close. Although investment in new accommodation in order to reduce unemployment can be re-initiated through further subsidies, this would be self-defeating through a new and larger version of the trends just described.

⁶ These younger workers are pre-determined through the present age structure of the population, which reflects earlier waves of migration, not least the immigration during 1985-1995.

Overall Outcome:

The outcome of this strategy highlights the way in which a combination of processes – a focus on large-scale hotels, a mismatch between the skills of the local labor and the jobs induced by tourism – lead to construction cycles in the tourist industry and to new immigration that pumps up the population of the Island. This suggests that, despite past successes, it is inadvisable to prolong current strategies for tourism development in Aruba.

Figure 4.1. Strategy 1 - Summary of Outcomes



Indicators

Year	Population	Rooms	Average Occupancy %	Tourism Productivity v	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	108,613	9,235	76%	133%	40%	124%	-27%
2030	124,048	11,636	73%	178%	50%	146%	-21%
2045	131,768	14,336	69%	237%	50%	142%	-2%

4.4. Strategy 2: Aruba Average Hotels/Growth Target

This strategy illustrates the situation when an arbitrary optimistic target is set for the growth of tourism. It also illustrates the problems arising from excessive fluctuations in tourism sector development that arise through business cycles in visitor markets, exchange rate shifts, or competition from other resorts. The results are shown in [Figure 4.2](#).

Tourism Sector:

With this strategy, growth of new accommodation each year depends on the growth of potential visitors – in effect a “build it and they will come” approach. Whether this is feasible is a moot point. The style of accommodation is large economy hotels with 200-400 rooms. This leads to continued growth in the number of rooms but with declining occupancy as the intensity of development increases and the Island becomes less attractive to visitors and residents.

Employment and Migration:

This pattern of growth has similar but potentially more severe long-run consequences than the first strategy. Although the level of unemployment for natives is lowered because more jobs are available, the rate of immigration is higher. Nonetheless, this migration cushions locals against temporary and structural unemployment at least during the early years of the strategy.

Population:

With this strategy population grows steadily to 150 thousand by 2040, primarily driven by immigration. Throughout the entire period the arrival of young migrant workers permits the Island to continue to support the needs of its dependent population. However, because overall population grows more rapidly, development soon reaches the limits of land use. Thus, the Island again faces an imbalance between its demography and its economy, but without its present range of policy options.

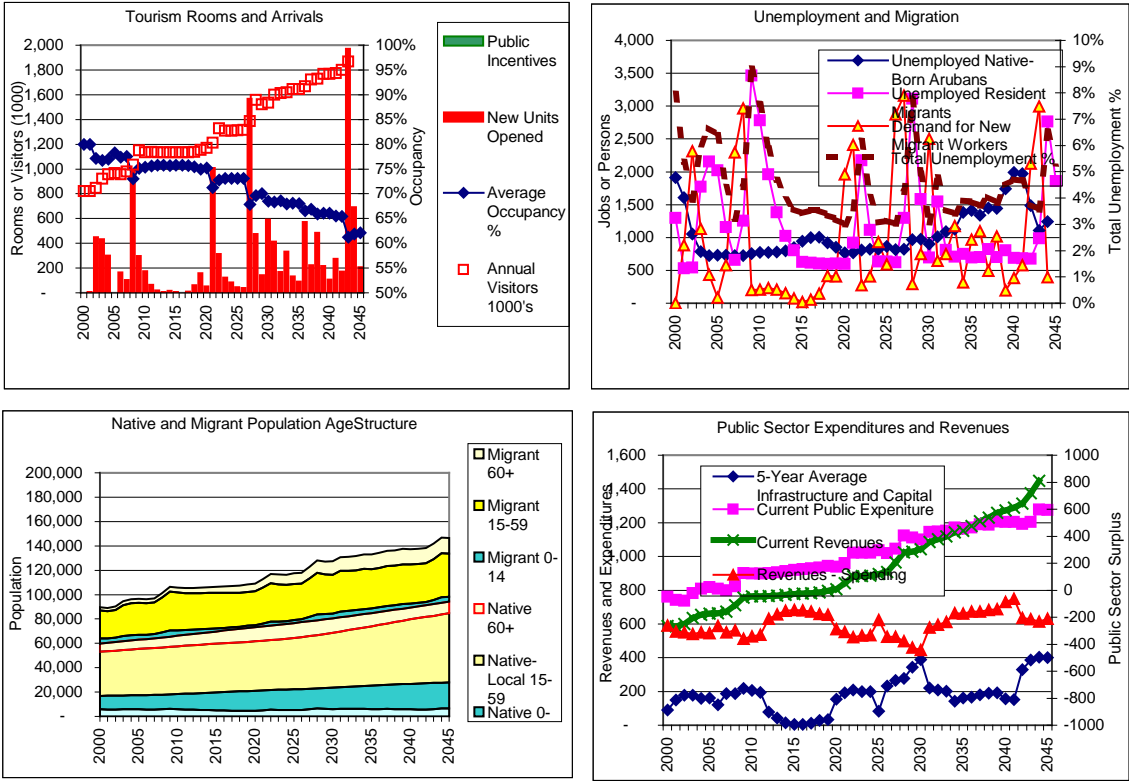
Public Sector:

Although public revenues rise faster than in the previous scenario, expenditures rise even faster - overall even less favorable than for the previous strategy.

Overall Outcome:

Overall, this scenario emphasizes the potential dangers of an overly rapid expansion of tourism and how overly rapid growth-targeted tourism development coupled with significant variability in visitor markets pushes the Island even more rapidly towards the limits of sustainability.

Figure 4.2. Strategy 2 - Summary of Outcomes



Indicators

Year	Population	Rooms	Average Occupancy %	Tourism Productivity v	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	106,952	9,572	76%	135%	40%	135%	-19%
2030	127,277	14,246	69%	183%	50%	131%	-43%
2045	146,435	20,299	62%	248%	50%	136%	-14%

4.5. Strategy 3: Small Boutique Hotels/Match Unemployment

The third strategy matches the growth of new accommodation to the “natural” growth of the resident labor force in Aruba. With this strategy new tourist accommodation is constructed only when the number of unemployed warrants the opening of one or more smaller hotels each with 50 –100 rooms.⁷ This approach – balancing tourism growth to Aruban needs - is the starting point for the tourism strategy proposed in this report. The outcome of this strategy is illustrated by Figure 4.3.

Tourism Sector:

With this policy for hotel construction, the amount of investment in new accommodation each year depends on the resident labor force, specifically the number of job-seeking unemployed. New accommodation favors boutique-type hotels since these have a variety of qualities⁸ appropriate to the next phase of tourism development in Aruba.⁹ The total number of new rooms in each year is planned so that the total number of jobs created (directly and indirectly) will absorb the current level of qualified job-seeking unemployed residents. The pattern of hotel growth follows closely changes in the age structure of the resident population. Thus, new accommodation is constructed for the next 15 years, but expansion ceases temporarily once number of new entrants to the labor force (e.g. school leavers) falls below the number of retirees. Eventually, this situation reverses as the native-born children of immigrants arriving after 2000 enter the labor market. Because the growth of tourism is slow relative to the previous scenarios, occupancy levels remain high.

Employment and Migration:

With this strategy, unemployment among residents is comparable to the previous scenarios but immigration is greatly reduced. This is a direct consequence of priorities set for allocating jobs to residents in addition to permitting only smaller annual additions to hotel

⁷ This scale will reduce fluctuations in occupancy and unemployment, and enable construction and other inputs to be provided by local firms. It is large enough for some economies of scale and agglomeration effects among clusters of similar accommodation.

⁸ Targets an untapped niche market of upper and middle-income professionals and ‘alternative’ tourists.

⁹ This does not preclude incremental expansion of existing chain hotels and timeshare.

accommodation. If suitable native-born job seekers and resident-migrant workers are not available, then new migrants will occupy the outstanding jobs. This prioritization of job allocation is more critical than in the previous scenarios because the overall number of jobs created is greatly reduced. Ultimately, the number of jobs that can be allocated to job seekers depends on their ability (skills and experience) and preparedness to work in the jobs in hotels, other tourism sectors, and in jobs induced in other sectors of the economy.

Population:

With this strategy population grows only to 115,000 by 2040. At this level the long-term sustainability of the Island is less at risk. In this scenario even the “natural” growth of the native population is largely the result of settlement by migrants whose children merge with the native population. Without this immigration, the Island population would likely decline after about 2025 as determined by the expected fertility and mortality rates of the current population of Aruba (based on the 2000 Census). In this scenario the proportion of employed persons relative to total population falls. This implies a greater burden on the working population to support dependents at the present level.

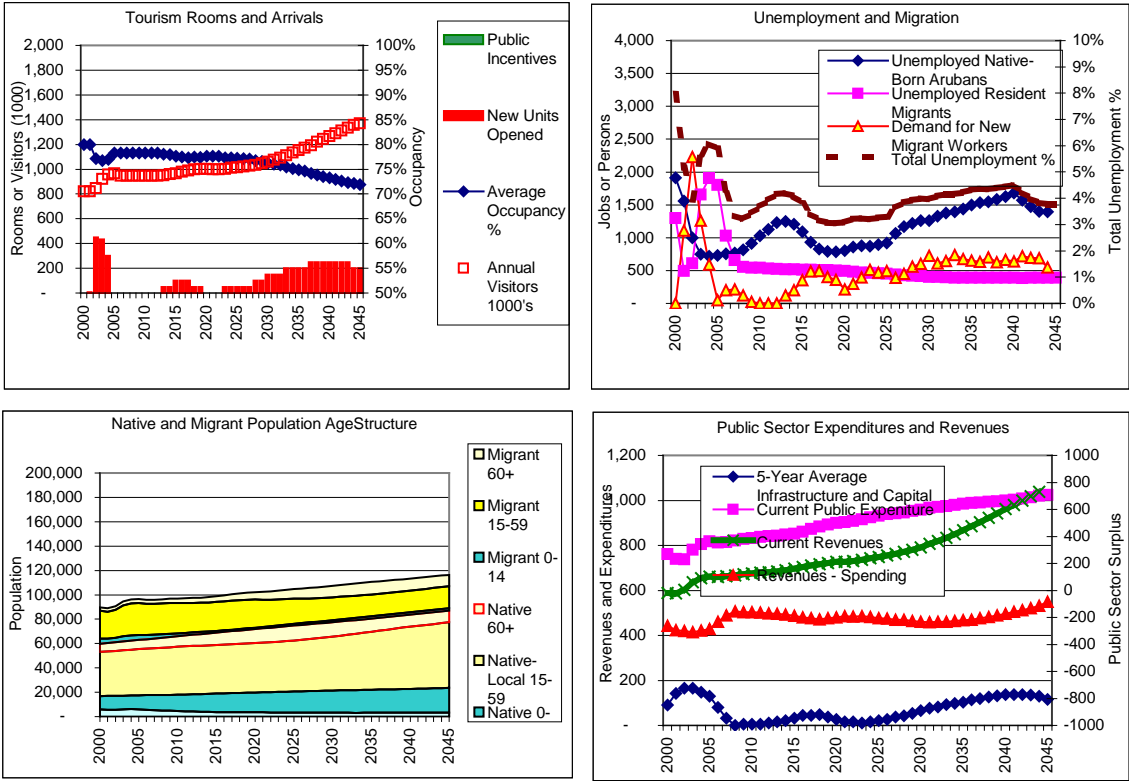
Public Sector:

The implications for public expenditures appear somewhat favorable in this scenario. In part this is because the leakage of income from small locally owned hotels is lower than for the large chain hotels adopted in the two earlier strategies. One important feature is that variability in income and expenditures is greatly reduced.

Overall Outcome:

This strategy illustrates the possibilities and limitations of an “Aruban needs” policy towards tourism development based on a smaller-scale style of tourism. Growth of tourism is matched to the employment needs and possibilities of the native-born population. With this strategy the pace of tourism growth, immigration and population growth are reduced. However, further policies are needed to reduce residual unemployment and budget deficits, and outstanding fluctuations in the pace of growth.

Figure 4.3. Strategy 3 - Summary of Outcomes



Indicators

Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	100,418	7,935	78%	125%	50%	135%	-27%
2030	107,344	8,835	76%	157%	50%	150%	-29%
2045	116,376	12,085	72%	197%	50%	141%	-8%

4.6. Variations in Strategy 3 Assumptions

The outcomes of the three strategies indicate that the Aruban needs-oriented strategy could be the basis of a framework for sustainable tourism development in Aruba. However, in order for this approach to function it must be well matched to events in other sectors, respond to fluctuation in external markets, and be well coordinated with other policies – especially those affecting immigration or education. A small number of variants of Strategy 3 will be used to illustrate how other policies and changes might affect the outcome.

- i. Strategy 3 with no improvements in the job match
- ii. Strategy 3 with lay-offs and productivity gains in non-tourist activities
- iii. Strategy 3 with larger scale for new tourist accommodation
- iv. Strategy 3 with policy coordination between layoffs and hotel development
- v. Strategy 3 with restrictions on settlement of new migrants.

iv. Importance of improving the job match:

A key factor in driving population growth in Aruba is that when new jobs are created, only a small proportion of the unemployed resident population are able or willing to take up the new positions. In the above scenarios it was assumed that over the next 15-25 years this situation might be improved to the extent that up to half of all new positions could be filled by native-born workers.¹⁰ Indeed, one reason for examining the effects of moving to a smaller style of tourist accommodation is that this style seems to be more conducive to employment of Aruban workers.¹¹ For example, a smaller scale is a characteristic of Aruba-owned or operated businesses. This applies to activities outside the hotel sector, bearing in mind that typically three of the four jobs induced through hotel construction are outside

¹⁰ This match (ratio of suitable workers/ new jobs) depends both on the number of total jobs created and the type of jobs. The number of job seekers who are likely to find jobs depends both on the current total number of unemployed relative to the total number of jobs created. The current match is such that when 100 jobs are created only about 25 native-born Arubans will become employed – this is represented by a job match propensity of 25%.

¹¹ The Visions Report (2002, p7), for example, observes that approximately 78% of enterprises domiciled in Aruba employ less than 10 workers, and a further 20% employ less than 100 workers.

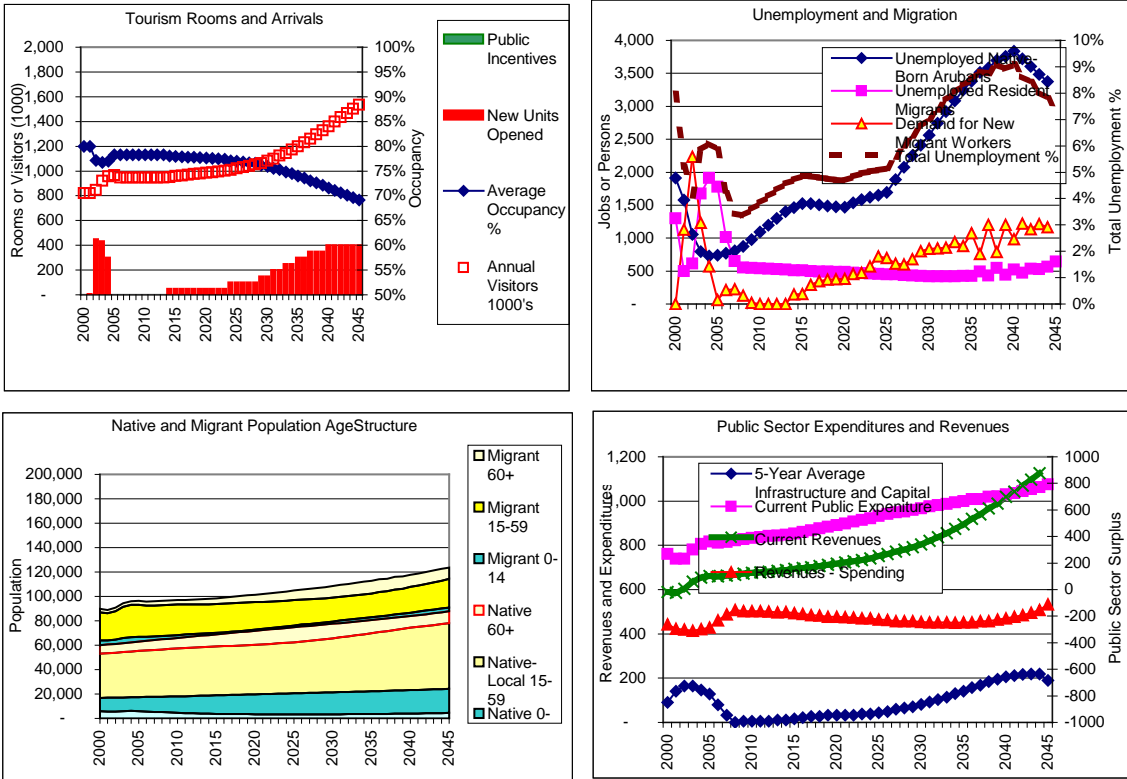
hotels. If the expected improvement in job match is not achieved then more hotels would have to be constructed in order to provide the jobs for unemployed native job seekers.

There are a variety of possibilities for improving the match:

- Create jobs that are more suited to the native Aruban unemployed and to the labor force in general, for example, through more appropriate scale of production, improved work conditions, job security, and pensions.
- Develop new tourism products that instill in visitors a greater appreciation of Aruban culture.
- Ensure that Arubans are better trained and qualified for jobs through general education, business training, hotels school training, and so on.
- Raise Arubans awareness of the merits of the available jobs, whether inside or outside the tourism sector.
- Adjust labor legislation in order to create greater mobility between existing and new jobs to facilitate sector-wide productivity improvements, and to reduce new immigration arising from short-run seasonal fluctuations and temporary variations in labor demand.

The implications of not addressing the job-match issue are shown in Figure 4.4. Here the job match propensity remains at roughly the current level so that only one job in four is suitable for Arubans. Population rises by an additional 6-7000 by 2045. The overall growth of hotel accommodation, visitors, and migrants is approximately doubled. The number of hotel rooms rises is increased by nearly 2000. This could undermine the proposed strategy for slowing population growth and achieving more sustainable development.

Figure 4.4. Strategy 3 with No Improvements in Job Match



Indicators

Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers/Workers	Surplus/Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	99,554	7,835	78%	125%	25%	137%	-25%
2030	108,495	9,035	76%	157%	25%	149%	-30%
2045	123,719	13,985	69%	197%	25%	134%	-10%

ii. Lay-offs and productivity gains in non-tourist activities:

Strategy 3 is designed to address Aruban needs, in particular full employment. Thus, job creation in other sectors, for example, through a successful industrial diversification policy as laid out in the Visions Report, would reduce the need for new jobs in tourism. Equally, layoffs from existing activities, due to productivity improvements or loss of business could lead to additional demand for new job creation in tourism. Current proposals to reduce employment in the public sector provide a pertinent example since this illustrates again how the solution to a short-run problem may exacerbate the long-term goal of achieving sustainability.

The Visions Report (2002, p39) discusses options for reducing the number of employees in the public sector as part of an effort to control personnel expenses.¹² No specific targets are mentioned. Figure 4.5. illustrates the possible consequences of a reduction of 2000 jobs in the public sector phased over 10 years. If all these workers become jobs seekers and have a similar employment match to current unemployed labor force then additional jobs will have to be created to ensure that the majority of these laid-off workers are employed. Population rises by an additional 6000 by 2045. The number of hotel rooms increases by an additional 1000. Again, this will have adverse consequences for long-run tourism growth, population levels, and so on. Obviously, if laid-off workers have above average skills, are more flexible, or are retrained for new positions, they would have a better match to the new positions than other job seekers.

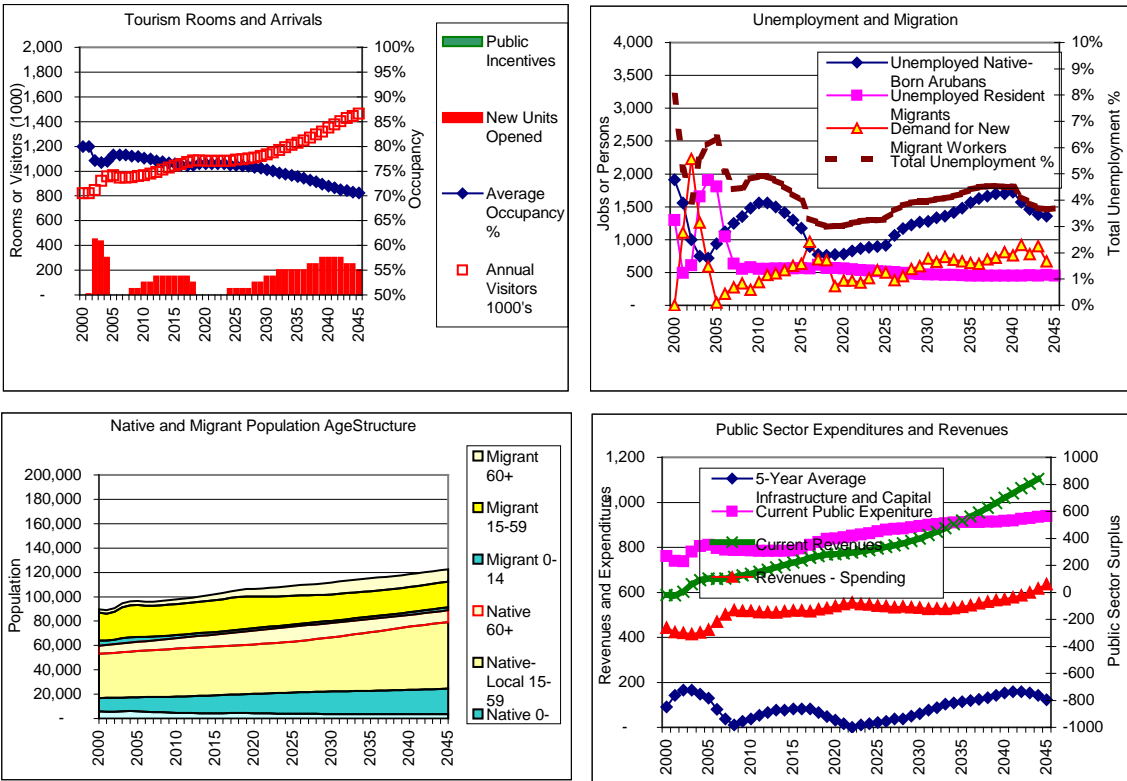
Similar outcomes would come from developments in other sectors not least changes in the level of non-tourism exports from improvements in labor productivity. The above strategies were all based on the working assumption that non-tourism exports would grow at a rate of 2.5% annually. This reflects the trend from 1990-2000, and an optimistic assumption that there will be a recovery from the current recession in the re-export markets that are a large contributor to Aruba's overseas earnings. It also assumed that there will be a steady productivity growth in this sector of 5.0% annually. Thus, there is a net loss of 2.5%

¹² According to the Visions Report (2002, p19) labor costs are currently about 67% of tax revenue.

annually in the number of jobs induced by non-tourism exports amounting to the loss of 10,000 jobs by 2045. Thus, many of the jobs created in the earlier strategies were replacement jobs for those lost from non-tourism-dependent activities. If productivity growth increased at the same pace as exports then no labor would be displaced, and the tourism sector should expand at a slower rate.¹³

¹³ It should be noted however that continuing competitiveness, and hence continuing growth of the sector, is likely to depend on rapid productivity improvements.

Figure 4.5. Strategy 3 with Public Sector Layoffs



Indicators

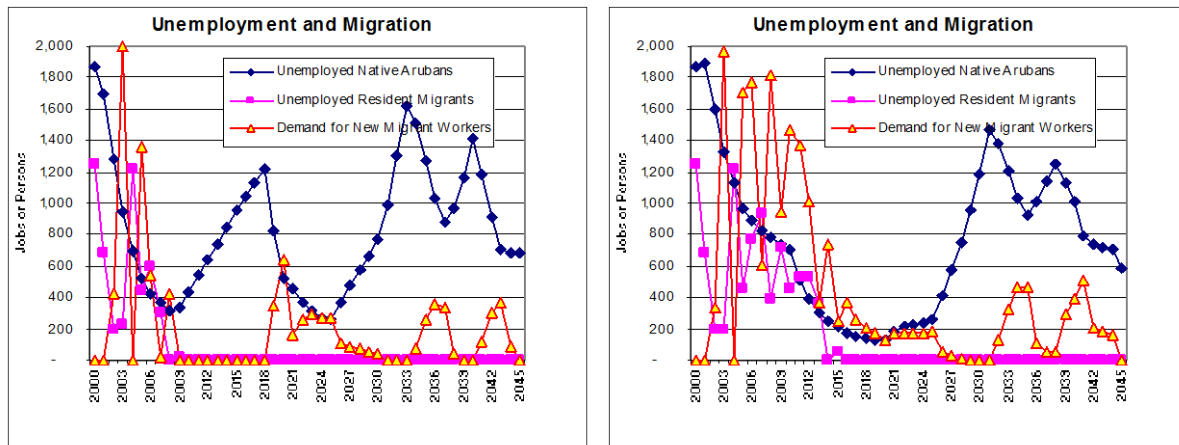
Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	104,533	8,635	76%	125%	50%	131%	-19%
2030	111,790	9,585	75%	157%	50%	148%	-14%
2045	122,434	13,135	71%	197%	50%	139%	5%

iii. Increasing the scale of new tourist accommodation:

Strategy 3 matched the growth of new accommodation to growth of the resident labor force through the successive opening of small number of boutique hotels each with 50-100 rooms. The merits of boutique hotels goes beyond scale, and rests on the potential for local income generation, the characteristics of direct and indirect employment, public revenue capture, and compatibility with the scale of other locally-operated enterprises. Nonetheless, moving to a practice of making small additions to existing hotels, or opening new hotels in a phased manner would be more conducive to the proposed strategy.

Figure 4.6. (left) shows the detrimental impact of opening a succession of 300 room ultra-class hotels on unemployment and migration. In this case, following construction of each new hotel several years pass until the number of job seekers is sufficient to warrant opening the next new hotel. The result is that unemployment is relatively high on average and undergoes large fluctuations. Growth of hotel accommodation, immigration and overall population is correspondingly low.

Figure 4.6. The Impact of Larger Room Increments with and without Public Sector Layoffs



iv. Policy coordination between layoffs and hotel development:

Periods when structural unemployment is unusually high leave open the opportunity for building larger scale hotels. The public sector layoffs remarked above may offer such a possibility.¹⁴ This is illustrated Figure 4.6. (right). During the 10 years when workers are being laid off the new 300 room hotels can absorb the additional job seekers. Once the layoffs are complete the disruptive effects of large-scale tourism development return. This illustrates how tourism sector development can be used to compensate for changes elsewhere in the economy. This has, of course been one of the goals of past tourism development in Aruba. The point here is to demonstrate the necessity of better calibrating the behavior of the various actors in the economy and coordinating tourism-related policies with those in other areas.

¹⁴ This has to be distinguished from temporary seasonal or crisis driven layoffs such as those following 9/11 or the SARS outbreak. In this case, constructing new accommodation can be detrimental overall since it will reduce occupancy in existing properties that are already operating well below capacity.

v. Settlement of migrants:

The earlier scenarios showed the role of migrants in cushioning Arubans from excessive swings in employment and by enabling activities that directly or indirectly provide jobs for Arubans. Without the earnings of tourism and other export sectors, for example, jobs in government and public utilities sectors that are largely “reserved ” for native-born Arubans would be even less unsupportable. The earlier scenarios illustrated some aspects of the trade-off between the short and long-term role of migrants in Aruba.

Most migrants arrive in Aruba in response to job opportunities that current residents are unqualified, or unable to fill. Typically about 30% of migrants leave the Island within two years through choice or because their work permits are limited. About 50% settle long-term in Aruba and, whatever their official standing, appear to achieve a relatively secure tenure status on the Island after about 10 years. There is considerable intermarriage between new migrants and native-Arubans and their offspring become part of the native-born population. Although it is not clear how past changes in immigration policy have affected settlement or duration of stay, it is important to explore the consequence of effecting a different policy.

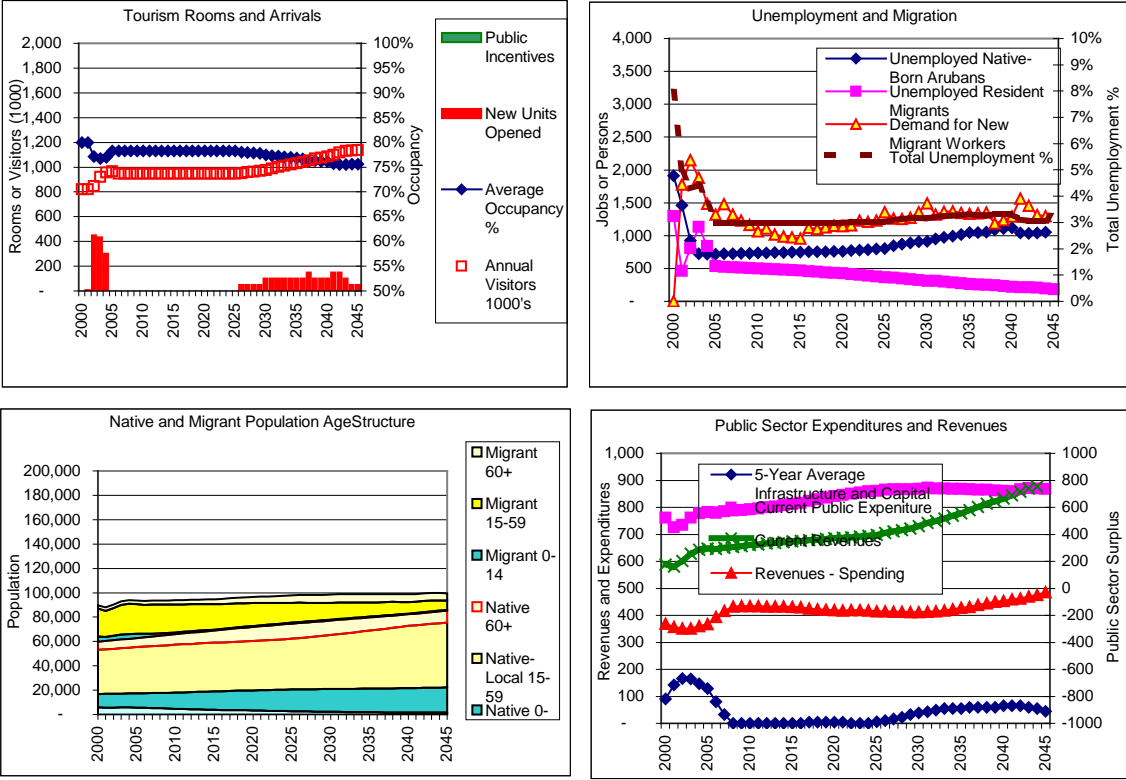
Figure 4.7. shows the effect of restricting the tenure of new migrants to a maximum of 2 years. Here it has to be recognized that as long as Arubans cannot fill the majority of job openings there will be a sizable migrant “guest” labor force on the Island. However, with no long-term settlement, population growth ceases after about 20 years (because of the age structure, fertility, and mortality patterns in the current population). The second wave of hotel construction from 2025-2045 shown in Figure 4.3. is reduced to the level dictated by this population structure.

With this rotating door policy towards migrants the number of workers relative to the total population increases. This reduces the dependency ratio (because the proportion of elderly residents declines) and also improves the revenue to expenditure burden on government.

However, such a policy is likely to incur costs for the private sector.¹⁵

¹⁵ The cost of this approach – not accounted for here - falls onto the private sector since enterprises must constantly train new migrant workers. On average the cost of re-filling a job is about \$1000. A further concern of hotel personnel managers is that such a policy would also lead to less job-commitment by immigrants.

Figure 4.7. Strategy 3 with Restricted Settlement of Migrants



Indicators							
Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	95,493	7,735	78%	125%	50%	131%	-20%
2030	98,498	8,035	77%	157%	50%	142%	-24%
2045	99,652	9,585	76%	197%	50%	136%	-3%

4.7. Transition to the New Tourism Strategy

The transition to a new strategy usually poses a major challenge for policy makers. This is because search for a new strategy is often driven by immediate policy issues, such as high unemployment or budget deficits, as well as by longer-run concerns, such as disappearing landscape and other resources. Conventional solutions to short-run problems often conflict with longer-run goals. Whilst this is the case in Aruba at the present time, the quandary may be reduced through adjustments in the scale and timing of new projects. Further, to the extent that there is uncertainty about current hotel project proposals it is useful to consider the long-run outcome of variations in timing and level of new accommodation.

The relationships between the type and number of jobs created by opening of new hotels and the short-run implications of these relationships been considered in detail in section 3. It was emphasized that the consequences will always depend on the specific features of hotel development and the specific details of the situation on the Island at the time that the new accommodation is developed. This factor becomes especially important in effecting the transition from the present “unbalanced” path of tourism development in Aruba to the proposed Aruban-needs and sustainability approach. This may be illustrated by considering how a single hotel development in the next few years might change the outcome of the long-term population and tourism growth in Aruba even if the proposed strategy is adopted.

4.8. The Impact of Current Projects and Proposals

Table 4.4. lists the possible new hotel and other accommodations proposed or underway in Aruba between 2000 and 2005 based on discussions with ATA and other organizations.¹⁶ Although the status of several of these projects is unclear, this could total as many as 1,800 new rooms by the end of 2005. In at least one case the project is already underway, but apparently not approved. In other cases, the location and/or the number of rooms is under

¹⁶ It has proved impossible to obtain definitive information about the new proposals. The number of rooms is based primarily on information from AHATA and the local press. The dates of opening are based on discussions with hotel managers and observation of construction sites.

discussion, as is the management, ownership, and level of public support. The above scenarios have been calculated assuming that the smaller of these new developments will be completed. The first phase of the new Marriott timeshare development is underway, a second is scheduled, and the Ritz-Carlton is still under negotiation. The calculation below examines the effects of adding the two outstanding projects, totaling 700 rooms to the Island's visitor accommodation.

Table 4.4. Assumed New Hotel Developments in Aruba 2003-2006)

Expansions	Rooms	Opening Date
Marriott Beach Club (Phase 1)	450	2003
Bucuti (addition)	39	2004
Divi Dutch Village (on-going)	240	2004
Ray Gar	55	2004
Aquamarina Hotel (Harbor)	100	2004
Divi Phoenix	149	2005
Wyndham (addition)	150	2005
Ritz Carlton	250	2005
Marriott Phase 2	450	2005
Source: ATA and Interviews		

The absence of systematic and regular unemployment surveys makes such justification tenuous at best. The proposed strategy requires that employment and unemployment levels are carefully monitored and compared with other information, such as the current and expected number of hotel rooms.¹⁷

¹⁷ Another uncertainty arises from the prevailing level of unemployment in Aruba. For example, the Visions Report (2002) uses the level of unemployment recorded in the 2000 Census as a justification for building a relatively large 450-room hotel. This is a very tenuous justification since the level of unemployment in 2000 is hardly likely to provide an indication of joblessness two to five years later. In any society, but especially a small season-dependent economy such as Aruba, unemployment varies markedly from year-to-year and month-to-month.

For the above scenarios, the level of unemployment recorded in Year 2000 is taken to be correct for that year.¹⁸ For following years unemployment depends on the construction of new accommodation, additions to the labor force, and lay-offs due to productivity improvements. If several hotels are constructed over a short time period, as indicated in Table 4.4, then the level of unemployment may be negligible. In this situation, the opening of a large amount of new accommodation has significant short run impact on migration, and a larger effect on long-term development. This is because of the very substantial feedbacks over time in Aruba.

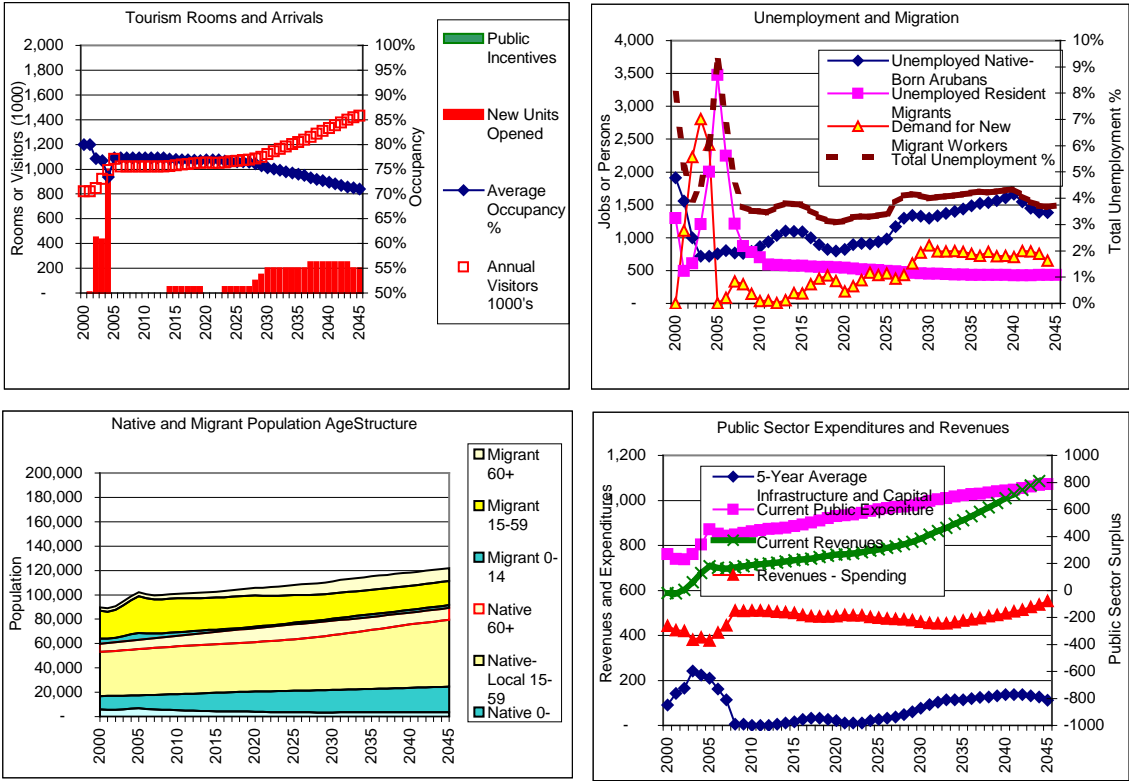
Problems of transition from the present situation in Aruba to the proposed tourism strategy are evident in all three strategies (Figures 4.1, 4.2, and 4.3). In each case the short-run effects of the ongoing or approved construction lead to a peak in immigration, and an increase in local unemployment as construction workers are laid off after completion of current hotel developments. The consequences of opening an additional 700 rooms in 2005 on short-run levels of immigration, shown in Figure 4.8, can be compared with the results without these additions in Figure 4.3. In the short-run (i.e. through 2005) the situation is similar to that in the late-1980s when there was “full-employment” (i.e. very few local job-seekers). Thus, migrants fill most new jobs. This spurt of new development delays the start-date for the proposed new strategy. This development also has consequences for the longer-run so that by 2045 there are 6,600 more residents and an additional 950 additional hotel rooms. The differences are summarized in Table 4.5.

Table 4.5. Comparison of New Hotel Developments

Indicators	With Extra Accommodation		Without Extra Accommodation		Impact of Extra Additions	
	Population	Total Rooms	Population	Rooms	Population	Rooms
2000	89,806	6,546	89,806	6,546	-	-
2015	104,282	8,935	99,932	8,235	4,350	700
2030	111,589	10,285	106,941	9,535	4,648	750
2045	122,940	14,485	116,307	13,535	6,634	950

¹⁸ In the United States, for example, monthly unemployment data based on statistical surveys are a key indicator of the economic health of the nation and an essential guide to policy.

Figure 4.8. Strategy 3 with Additional Rooms in Opened in 2005



Indicators

Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	103,729	8,535	77%	125%	50%	134%	-23%
2030	111,104	9,435	75%	157%	50%	147%	-28%
2045	121,806	12,785	71%	197%	50%	142%	-7%

4.9. Illustration of a Coordinated Tourism Strategy

One last scenario is used to illustrate how Strategy 3 might be modified to provide an overall favorable outcome for the Island. In addition to prioritizing local full employment and long-run sustainability, the additional policies relate to education and training, public sector layoffs, migration, and modifications to some current projects.

- The average annual pace of construction of new accommodation would be speeded up by 10-15% in order to maintain dynamism (in terms of product and productivity improvements).
- New construction would be concentrated in selected areas, primarily around Seroe Colorado, in order to ensure the thresholds needed for self-sustained growth.
- Any new large-scale projects would be staggered to fit with the overall targets of balancing growth of the resident labor force.
- Immigration policy would be adjusted so as to approximately halve long-term settlement.
- The job-match would be steadily improved over a 10-15 year time frame.
- About 2,000 public sector workers would be redeployed in tourism and downstream sectors over a 10-year period coinciding with expansion of the tourism sector.
- Growth of the non-tourism export sectors is assumed to rise from 2.5% to 3.5% annually.

Figure 4.9. illustrates the combined outcome of these policies.

Tourism Sector:

Over the entire period the pace of development is slightly smoother. In the short-term this is largely the result of coordination between public sector layoffs and speeded up construction. In the long-term it results from increased growth in the non-tourism sectors. This slows the demand for new tourism development. This will have an increasingly positive impact beyond the 2045 horizon.

Employment and Migration:

Local unemployment is stabilized at a relatively low level. This is due largely to the slightly increased pace of tourism development that shields local workers from excessive fluctuations in labor demand, without excessively raising the pace of immigration. Moreover, although long-term settlement is reduced, the rotation of temporary migrants is quite steady.

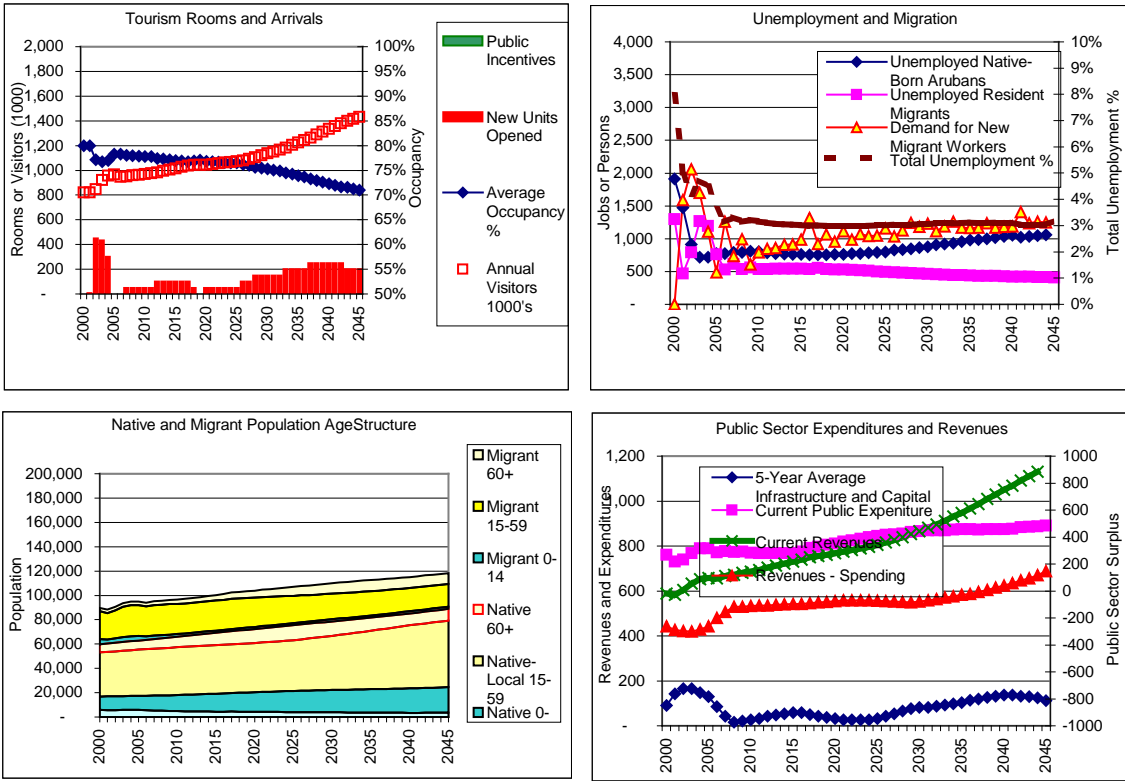
Population:

The long-run level of the resident population is increased by about 2000. This is a relatively modest increase given its effectiveness in reducing fluctuations.

Public Sector:

The strategy is also effective in terms of reducing imbalances in public sector finances. In the short-run this is due to the reduced labor costs. Over the longer-run, public sector finances improve because the level of local-ownership is higher, and with this the possibilities for more successful tax collection.

Figure 4.9. Strategy 3 with Coordinated Policies



Indicators

Year	Population	Rooms	Average Occupancy %	Tourism Productivity	Job Match	Non-Workers /Workers	Surplus/ Revenues %
2000	89,806	6,546	80%	100%	25%	123%	-45%
2015	102,325	8,385	77%	131%	75%	130%	-13%
2030	110,042	9,585	75%	172%	75%	142%	-9%
2045	118,158	12,785	71%	226%	75%	135%	13%

4.10. Pre-Requisites for Successful Implementation of Tourism Strategy

A key aspect of the final tourism strategy framework is that it must be both adaptive to foreseeable situations and robust enough to weather unforeseen contingencies. For this to be achieved there must be adequate up-to-date statistics, constant monitoring and review of all relevant variables, and regular updates of the level and timing of the implementation of new tourism initiatives and policies.

The current situation in Aruba offers an immediate illustration of needed improvements: there is insufficient information about near-term plans for new hotel construction, about the potential efficacy of the proposed fiscal reforms and public sector layoffs, on the performance of existing tourism enterprises, current levels of unemployment, and so on. If this information is readily available, it should be possible to develop a year-by-year, project-by-project schedule for the near-term (5-10 years) within an overall strategy that is consistent with the long-run goal of economic, social, and environmental sustainability.

Successful implementation of the preferred strategy requires a high level of policy coordination across government departments, and across public and private tourism sector institutions represented by the NTC. A well-timed combination of policies can leverage development while badly timed policies have little positive impact.

5. MANAGING TOURISM ASSETS

This section lays out the case for a more systematic management of tourism resources in Aruba that includes, but goes beyond, the simple principle of diversification. The aim is to develop a more deliberately balanced portfolio of tourism products. The goal is to make the Island economy more robust to various shocks and cycles of the tourist market, and also to increase the income retained on the Island (as opposed to the amount spent by tourists).

Risk aversion is costly in terms of underused human and capital and infrastructure resources and higher cost of capital and labor settlement costs. For example, legal and illegal migrants are used to buffer fluctuations in the job market shifting the burden of risk. The government has become the risk-bearer of first-resort (instead of the last-resort); for example, public sector employment provides a refuge for native Arubans, while government guarantees and subsidies have offset investor risk.¹

The primary focus of the following discussion is the factors underlying variations in occupancy in Aruba and possibilities for improving capacity utilization and hotel revenues.² However, the same principles apply for reduction of risk and uncertainty for all actors and institutions in Aruba – hotels and other tourism businesses, tourists, employees, households, dependents, and government.

The last few years have demonstrated the consequences for unanticipated events such as epidemics, terrorist attacks, and the like, on tourist destinations such as Aruba. Although individual events cannot be anticipated in intensity or timing, the likelihood of such events occurring over the forthcoming decades is high. Such factors therefore have to be accounted for in developing a sustainable strategy. The extent to which tourism in Aruba can be made

¹ Secretary General of the WTO, F. Frangialli, observes. “The biggest problem in the current situation of world tourism is uncertainly”. Madrid. 2003.

² This limited focus is largely due to time constraints on data collection for completion of the project.

robust to particular classes of event goes beyond the present report.³ The aim here is to elucidate general principles as part of the overall strategy for sustainable tourism. Similar considerations apply with respect to more regular events, notably business or construction cycles.

This section begins with a discussion of the main principles of asset management. It then provides details of the historic performance of the tourism sector in Aruba and relates this to income retention and variability in occupancy in the various styles of tourist accommodation. This provides an illustration of how a strategic asset management might improve both occupancy and earnings.

For this approach to be successful, a high level of public-private sector cooperation and regular monitoring of key data are required.⁴

5.1. Dimensions of Asset Management

An industry is likely to be sustainable, if through appropriate clustering, it can evolve a structure that is resilient to local and external change.⁵ The general principles suggested for achieving this for the tourism industry in Aruba may be drawn from those of investment portfolio management.⁶ Strategic asset allocation goes beyond simple portfolio

³ An example, of an application to Aruba is given in 1995 Lifelines and Livelihood: A Social Accounting Matrix Approach to Calamity Preparedness, Journal of Contingencies and Crisis Management, Vol. 3, No 3, pp. 1-12, 1995. Based on Cole, S., V. Razak, and E. Pajola. 1993. Social Accounting for Natural Disaster Preparedness and Recovery Planning, National Center for Earthquake Engineering Research, 1993.

⁴ Sufficient data have been collected by the CBS, ATA, and others to establish the main variables and parameters to be used in such an approach. Some of these data have been made available by the CBS for the present project.

⁵ This paraphrases Nobel Laureate Herbert Simon in Industrial and Corporate Change (reprinted 2000).

⁶ With an investment portfolio the goal is to design a package of stocks, bonds, and other investment opportunities that respond differently to market events by identifying how the various contributions to these asset classes can reduce volatility. Stocks are potentially more risky than bonds or real estate but offer higher

diversification to bring together the investment time frame, risk tolerance, and the systematic re-balancing the portfolio to reduce overall volatility.⁷ Despite adhering to the same general principles, there clearly is considerably less freedom in designing a robust portfolio of tourism products.

With tourism, the variables of diversity are type of accommodation, visitors, and resources exploited. There are other differences. For example, there is not the opportunity to adjust a tourism portfolio on a daily or even yearly basis. Rather, it is necessary to provide a stable environment for entrepreneurs, households, and other government departments, etc. over a time horizon that allows for meaningful planning and to avoid over-reactive and “stop-go” policies. Nor can the adjustments to tourism investments be made on a small scale. Even when, as proposed in this report, the size of new increments to accommodation should be kept rather small, some new developments have to rapidly achieve a certain threshold to facilitate the benefits of agglomeration and scale economies. Another aspect of the strategy is to evolve tourism products to match to the life-stage of return visitors and the renewal of the visitor-base through successive generations. These dimensions of diversity are illustrated in Table 5.1.

earnings expectations. A stock account diversifies its portfolio by company, by company size, approach to investment, and domestic and international activities. A bond portfolio diversifies across publicly traded bonds, privately placed bond, commercial mortgages, equities and real estate.

⁷ The volatility of an asset is measure through its standard deviation –how much the return on an investment fluctuates above or below its average over a given time period. A single randomly selected stock may have a deviation of 30-50% higher than a portfolio invested in an equally weighted index of all available stocks. Similarly, the number of visitors from any market to any hotel in Aruba over a year is likely to have greater variability than the island as a whole.

Table 5.1. Dimensions of Diversity for Tourism Portfolio Management

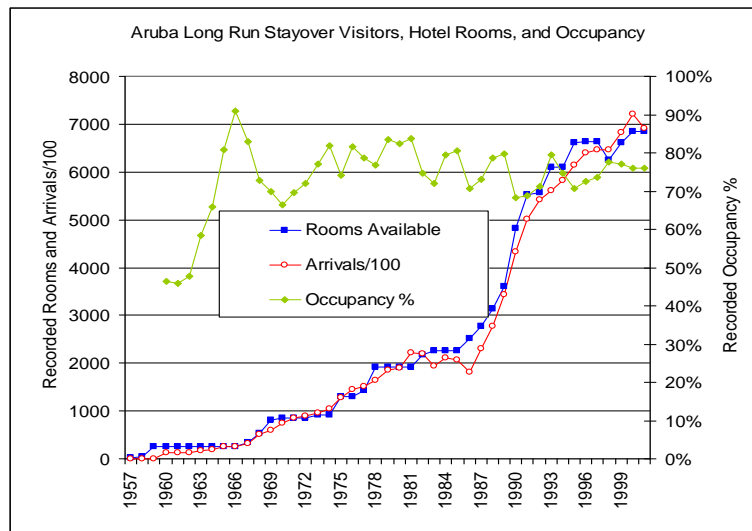
DIMENSIONS OF DIVERSITY	EXAMPLES OF CHARACTERISTIC
ACCOMODATION DIVERSITY	
Style of Accommodation	Transient/Timeshare/Boutique/Condo
Type of Management	Local/Chain
Type of Ownership	Local Private/Government/Investor/Visitor
VISITOR DIVERSITY	
Origin of Tourists	US Regions/Canada/Other Caribbean/Central and South America/Europe/
Life-stage of Tourists	Honeymoon/Family/Mature/Retiree
Interests of Tourists	Romance/Casino/Adventure/Peace and Quiet
ISLAND DIVERSITY	
Regional Base	Tourism Corridor/Urban/Sunrise/Heartland
Cultural Base	Cosmopolitan/Traditional Aruban/Caribbean Aruban/Latin
ACCESS DIVERSITY	
Transportation	Airlines, Cruise lines, and Independent Travel
Information	Marketing via Media, Internet, Travel Agent, Airport Personal Advice
TEMPORAL DIVERSITY	
Phasing of Development	Priority, Within 5-10 years, Within 10-20 years, Within 20-50 years
Cyclical Diversity	Business, Fashion, Construction, Investment
Ad hoc Fluctuations and Shocks	Weather, Political, Accidents, Epidemics, etc.
Coordination with Other Island Policy	Fiscal, Labor, Immigration, Legal, Environmental, Land Use

Other benefits can be achieved through increasing flexibility (e.g. introduce more flexibility in labor force use), and creating a core protected labor force contracted to the industry rather than a particular business, or more coordinate timing (e.g. to make use of under-employment in public sector and over-staffing in tourist sector.)

5.2. Structural Factors in Seasonal and Cyclical Occupancy

In the early stages of tourism in Aruba the variations in seasonal and annual occupancy levels were considerable. While the few hotels were occasionally over-booked during festivals, the average variation between high and low seasons were as much as 40%. Annual variations were also considerable (see [Figure 5.1.](#)). During the first two decades, each new hotel was a considerable addition to the total number of rooms in Aruba. This had the effect of causing Island-wide occupancy to fall following the construction of each new property. This effect has also been evident in more recent decades, especially, since 1985 when several large hotels have opened in a single year.

Figure 5.1. Long-Run Occupancy and Levels of Visitors and Accommodation in Aruba

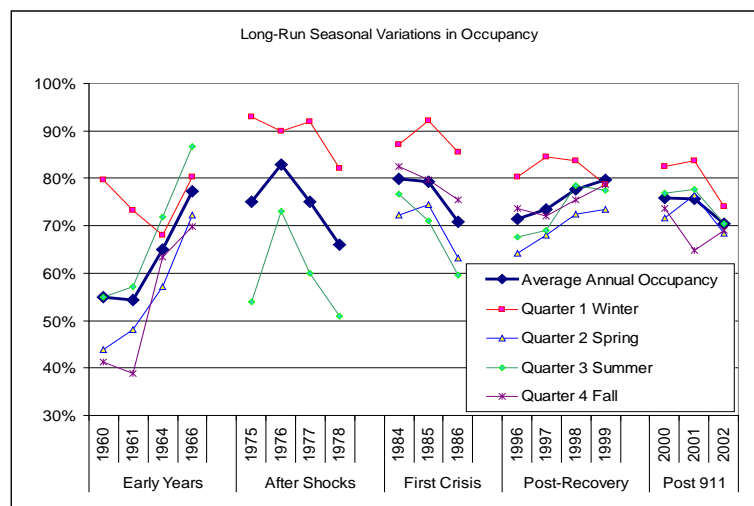


5.3. Long-Run Reduction in Variability in Occupancy Rates

The need to diversify tourism in Aruba (and indeed the economy at large) has long been recognized. In many respects the strategy has been rather successful, at least in terms of the

level and variability of occupancy rates. Occupancy has remained high compared to most other destinations for most of the Island's history, and year-to-year, and seasonal fluctuations have fallen steadily. The success of this strategy over the last 50 years is illustrated by [Figure 5.2](#). Clearly, the present combination of accommodation offers a foundation for a robust portfolio. For example, timeshare balances transient accommodation (lower income but much less cyclical and quicker recovery from shocks). Similarly, low-rise accommodation balances high-rise (in terms of visitor origin and preference which helps to mitigate some market-based fluctuations).

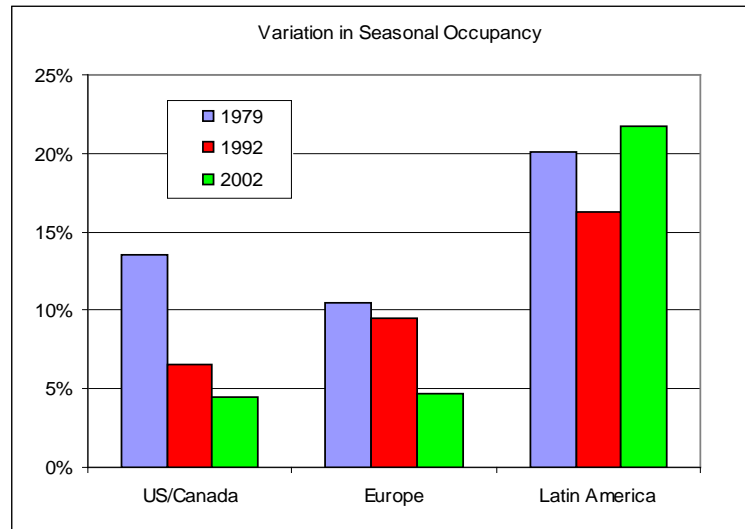
Figure 5.2. Trends in Seasonal and Average Annual Occupancy from 1960-Present.



The most dramatic reduction in seasonal variations is in the arrivals of visitors from North America and Europe. Over the last 20 years these variations have more than halved (see [Figure 5.3](#)). However, other visitor markets, notably Latin America show little long-run improvement. The chart clearly shows an early success during the 1960s in raising occupancy and reducing seasonality. This was maintained until the mid-1970s when the construction of several hotels, the Americana, Tamarijn, and the Concorde (now Wyndham) led to a significant fall in average occupancy.

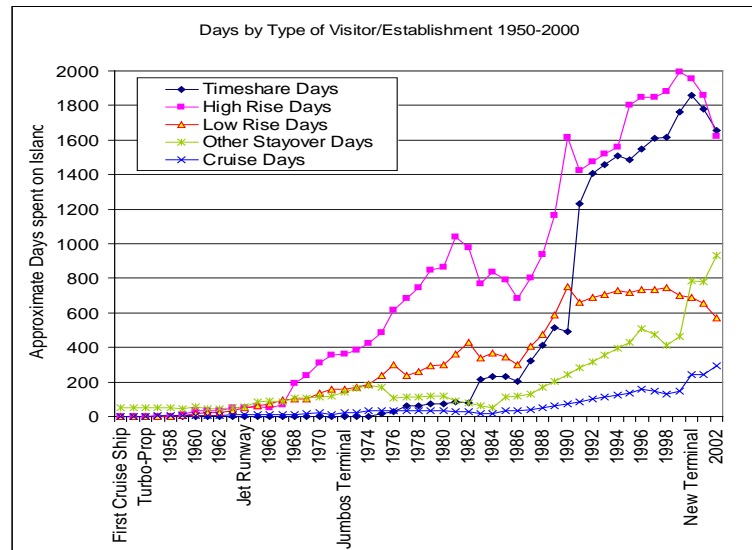
Over the entire period, excluding the early years, annual occupancy has fallen from nearly 80% in 1965 to about 75% in 2001. High season occupancy has fallen more dramatically from over 90% in the mid-1970s to about 82% in recent years. Indeed, the reduction in variation in seasonal occupancy is due as much to falling maximum occupancy as to raising the low off-season levels. The opportunity cost of low occupancy is high. In 2001, for example, AHATA prepared a calculation based on their membership showing that the unoccupied rooms at that time were equivalent to 900 rooms, or several hotels.

Figure 5.3. Long-Run Reductions in Fluctuations in Seasonal Occupancy by Market



The stabilizing of seasonal variations has arisen largely through diversification of tourism products (e.g. style of accommodation) and to a lesser extent through diversification of visitor market (e.g. age and place of residence of visitors). The principal innovation in terms of accommodation has been to introduce timeshare accommodation. This is seen from Figure 5.4.

Figure 5.4. Long-Run Changes in the Composition of Accommodation



In total, including cruise visitors, visitors spend a total of about 5 million days in Aruba each year. Indeed, the numbers of days spent on the Island by timeshare visitors are similar to that spent in high-rise transient accommodation, the most prevalent style on the Island. There is relatively little small-scale accommodation (less than 100 rooms) on the Island compared to most other Caribbean Islands.⁸ Although cruise tourism is again expanding, cruise visitors still account for a relatively small number of total days spent in Aruba.

5.4. Arrivals by Place of Origin

The strategy of increasing the diversity of visitors by place of origin appears to have been less successful since the majority of visitors to Aruba continue to come from North America. Figure 5.5 shows the number visitors annually from 1982 to 2002 for each major region in absolute and percentage terms. Nonetheless, there has been diversification of

⁸ Caribbean Hotel Trends, 1994 ed. PFK Consulting. Caribbean Tourism Organization.

markets within the United States, exploiting both regional seasonal climatic differences and their demographic makeup. Seasonal variations in the number of visitors from other destinations - mainly Latin America and the Caribbean – tend to offset those from North America. Figure 5.6, shows the seasonal share of annual visitors from each region. Unfortunately, these markets have proved to be more vulnerable to domestic and international economic and political adversity.

Figure 5.5. Visitors to Aruba by Place of Origin

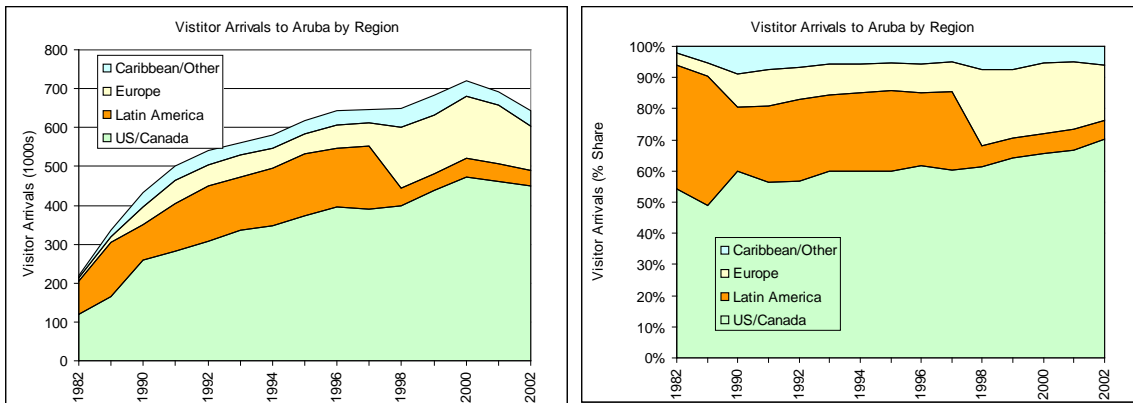
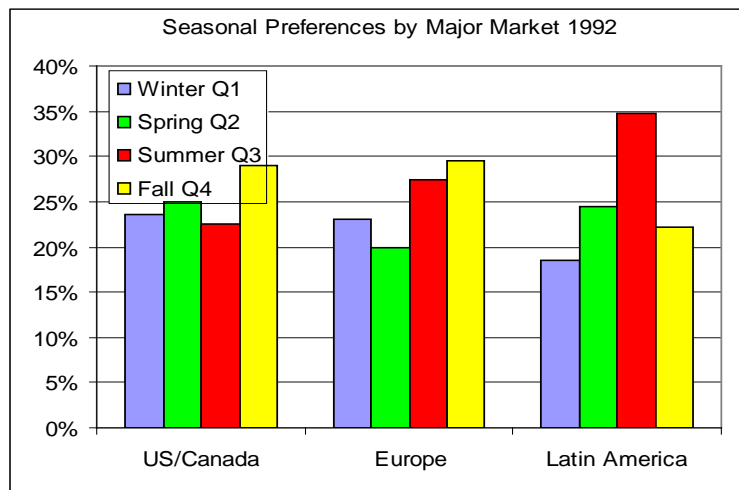


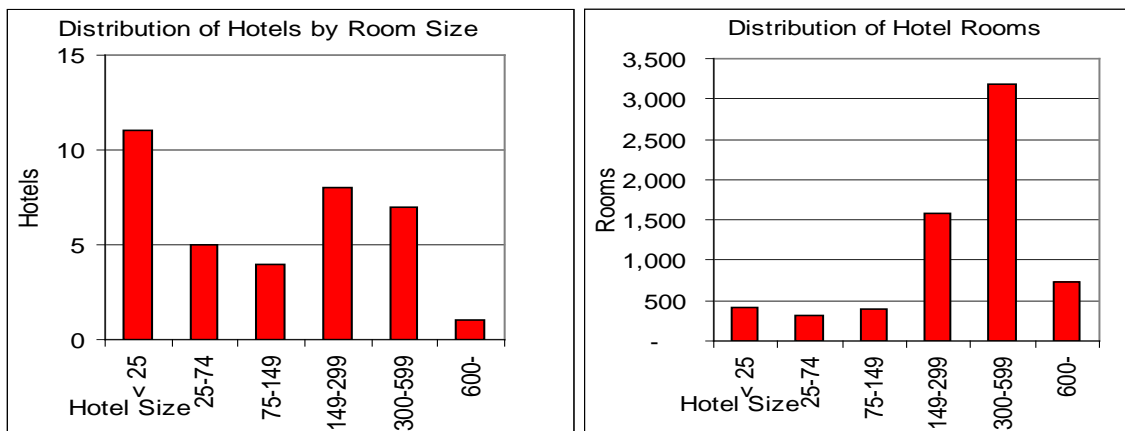
Figure 5.6. Seasonal Variation in Visitors to Aruba by Place of Origin



5.5. Size of Accommodation

From the outset of international tourism in Aruba, the typical establishment has been a large hotel-casino (200 rooms and above) with only a handful of small hotels. This is distinctive for the Caribbean.⁹ The traditional accommodation has comprised two geographic areas occupied by high-rise and low-rise hotels – roughly designating the quality and style of accommodation, and the market served. Since the mid-1980’s this division has become more complicated, first by the introduction of timeshare operations, and more recently by changes in the relative quality of hotels, and through flexible accommodation systems (FAS). Today there is a greater diversity of products but most hotels compete at the margins, through price discounting, all-inclusive packages, rooms used for both for transient and timeshare visitors, etc. This limits the historic adverse effect of new hotels on existing operations, yet maintains the need to improve standards.

Figure 5.7. Distribution of Rooms and Hotels by Hotel (2002)



⁹ The 1994 PKF Caribbean Hotel Trends Survey lists Aruba with the Bahamas and Puerto Rico as destinations with more than 5,000 rooms that have more than 45% of rooms in hotels with more than 450 rooms.

5.6. Fluctuations in Occupancy and Income by Type of Accommodation

The resilience of occupancy to external factors varies significantly by type of accommodation, as illustrated by [Figure 5.7](#). The chart shows the variation in annual occupancy for transient and timeshare accommodation from 1996 to 2003.¹⁰ Given the preponderance of visitors from the United States to Aruba the trends tend to reflect events there. Thus, the growing occupancy in transient accommodation until 2000 is due largely to the long economic expansion in the US followed by a rapid decline with the onset of recession and a yet greater decline following the terrorist attacks of 9/11.¹¹ It is evident that occupancy in timeshare accommodation, where visitors have a vested interest in returning to the Island each year, is more stable than in transient hotels. With the latter, occupancy fluctuates quite dramatically depending on economic conditions in the home countries of visitors and changes in their disposable income. These demand-related factors combine with supply-related factors, such as construction of new accommodation, as explained above.

Variations in occupancy are usually accompanied by even greater variations in income. Most hotels lower prices in order to combat lowered occupancy in the summer season, or whenever demand falls. The precise strategy varies with the management and ownership of hotels, depending on corporate policy, fixed versus variable costs, and so on.¹² As [Figure 5.8](#) shows, there is considerable variation in both the sign and direction of room rates relative to the impact on occupancy across different types of accommodation.¹³ Aruba's

¹⁰ The figures for 2003 are based on part-year results from the CBS.

¹¹ The impacts are discussed in some detail in ATIA Magazine-Special Tourism Issue. June 2002. A Case Study for Aruba: The Effects of September 11, 2001.

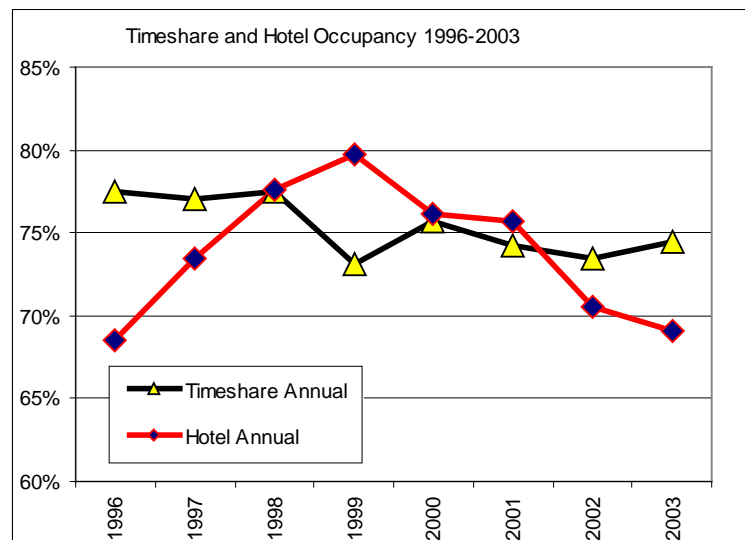
¹² On the basis of interviews conducted for this report the impression is that chain hotels are more likely to make deep rate cuts and that small locally owned hotels are the least likely. With timeshare the rate cuts reflect only the transient component of their business, since management fees and ownership costs are pre-paid.

¹³ The adjustments are designed to maximize profitability. These data are generally not available for analysis so REVPAR (revenue per room) serves as an indicator. For purposes of comparison here the recorded revenue is compared with the high season or rack rate for each type of accommodation.

uniquely high year-round occupancy reflects the undoubted quality of the Island's tourist product; it also reflects the large price adjustments.¹⁴

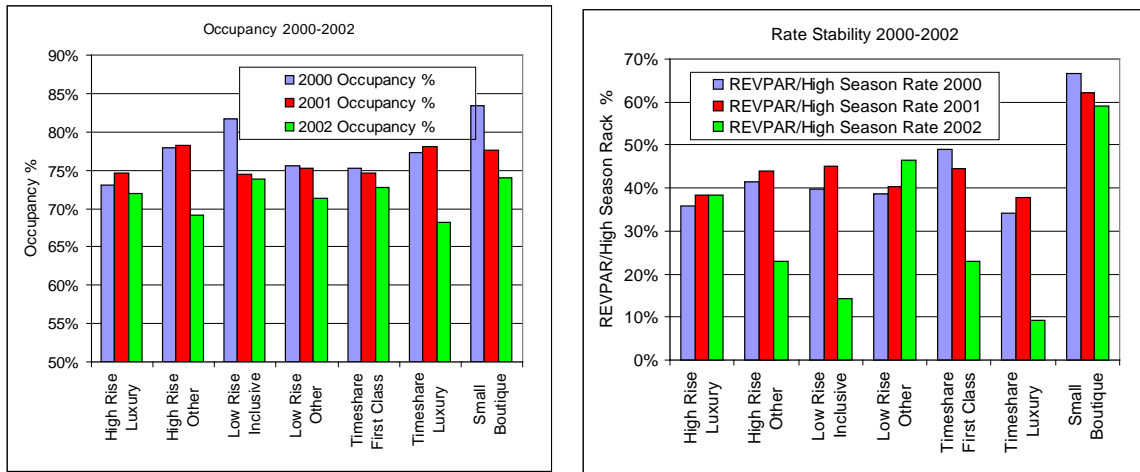
Together these variations in occupancy and prices result in large variations in the total and net annual revenue of properties. If annual revenue is compared to the (fanciful) situation of all rooms at 100% occupancy and sold at the high season rate, then as much as 60-70% of potential income is lost. If year round occupancy is 75%, only 25% of the loss is due to low occupancy. The greater loss is from price reductions.

Figure 5.7. Trends in Occupancy for Transient and Timeshare Accommodation 1996-2003



¹⁴ High long-run annual average occupancy reflects the considerable subsidies that developers have received, which has enabled the industry in Aruba to lower prices than might otherwise be the case, and hence to maintain higher occupancy

Figure 5.8. Occupancy and REVPAR by Type of Accommodation 2000-2002



5.7. Management and Operation of Properties

Aruba is distinctive in the Caribbean in terms of proportion of properties that are operated or associated with major international hotel chains. Almost all large hotels have been owned or operated by major chains.¹⁵ This has included Hyatt, Hilton, Marriott, Holiday Inn, Radisson, Best Western, Sonesta (now Renaissance, a part of Marriott), and Wyndham chains. Several hotels have changed ownership or management several times. In 1960 about 18% of hotels in Aruba were affiliated with major corporations: in 2000 this had risen to 65%. This trend is shown in Figure 5.9. By end-2003, 23% of all rooms will be affiliated with the Marriott chain. Divi Hotels (a predominantly “local” chain) will also own and operate over 1000 rooms by this time.

¹⁵ The PKF 1994 Caribbean Hotel Trends lists Aruba as having the highest proportion of chain-related properties at 31%.

All hotels, independent or chain, already adopt a variety of yield management strategies for dealing with market opportunities and uncertainties.¹⁶ Over the last decades international chains have dramatically adjusted their portfolio. This is evident with the Marriott group with a shift from managing and leasing properties in the late 1990s to its current focus on franchise and timeshare (see [Figure 5.10](#)). The imperative for international chains today is to achieve a critical mass in terms of operating capacity and markets. More recently, the need to become more attractive to world capital markets has promoted flexible and integrated systems. For example, mixed hotel-timeshare and condo developments shift costs away from primary investors, reduce the delay between construction and full-occupancy of new properties, and reduce seasonal variability, whilst diversification across countries and product segments and an internationalized workforce reduces overall risk and maintains flexibility. An equivalent strategy for income generation and survival is recommended for tourism in Aruba.

¹⁶ Yield management covers many approaches to maximizing profitability of a hotel through manipulation of prices and booking policies (see e.g. Kahn, M. and E. Tse. 1990. Hotel Yield Management using Optimal decision Rules. Journal of the International Academy of Hospitality Research. Airlines, shipping companies, and distributors use similar formal approaches. The intuitive risk aversion behavior of small businesses, households, and individuals is a less formal strategy. Interviews with hotel and timeshare managers and with AHATA and the Timeshare Association undertaken as part of the present study showed that yield management strategies account for hotel and chain-specific factors and also the prevailing strategies of other hotels on the Island. Thus, the overall strategy already is somewhat adaptive and systemic.

Figure 5.9. Accommodation by Affiliation 2000-2002

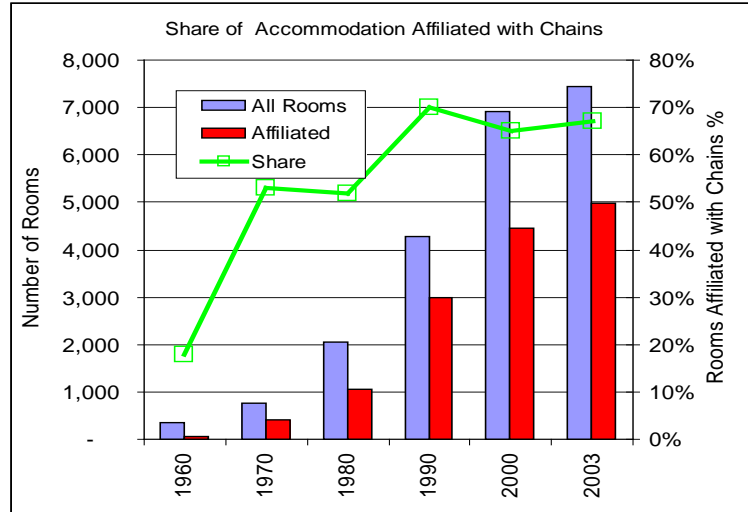
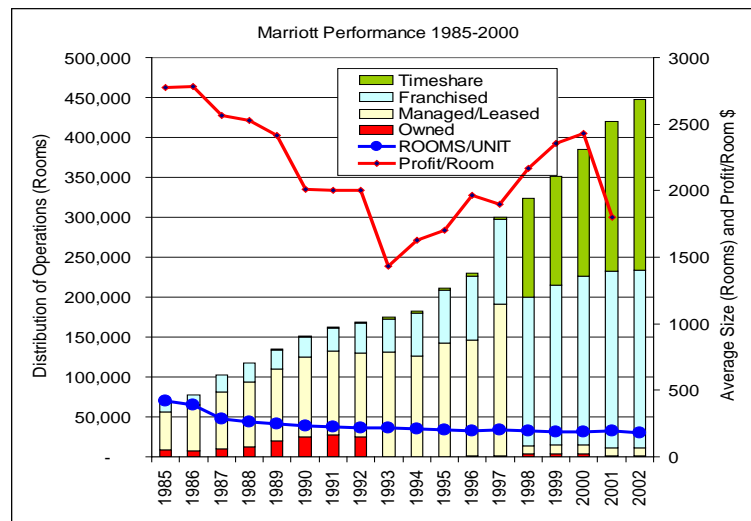


Figure 5.10. Shifts in the Strategy of International Chains Marriott 1965-2002



5.8. Variations in Island Income and Employment from Properties

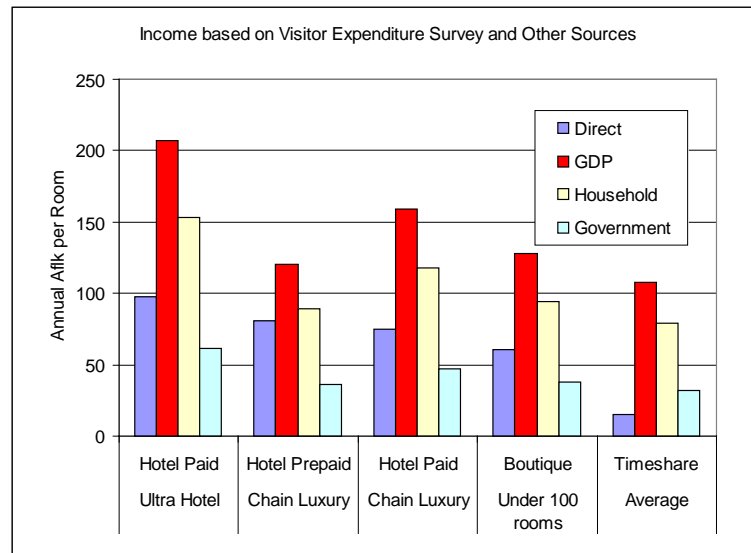
The rationale given for adopting the luxury casino-hotel as the foundation for tourism in Aruba has always been that this style of tourism brings more affluent visitors to the Island. The CBS Tourism Survey shows that these visitors typically spend more on their accommodation and more on other activities than guests in timeshare and small-scale accommodation. However, this “direct” spending by tourists is, by itself, a rather unsatisfactory measure of the contribution to the Island of different types of accommodation or tourist since it does not account for leakages from the economy due to imports, repatriation of income, etc. or of the multiplier effect of tourist on the rest of the economy. Nor does it take account of the overall goal of reducing the pace of population growth in order to assure long-term sustainability.

Several estimates of the direct and indirect contribution of different types of accommodation to the Island, in terms of income to businesses, households, and government, have been prepared.¹⁷ [Figure 5.11](#) illustrates the results of these calculations for the principal styles of accommodation considered in the tourism strategy. Luxury and ultra hotels appear to provide the greatest direct income per room and also the greatest contribution to GDP and household income. On this basis, such hotels appear to be the most desirable. However, it is quite clear that the contributions to GDP and revenues between the two most prevalent styles of visitor accommodation – pre-paid luxury hotels and timeshare – are far less than the differences in direct spending. Moreover, other hotel styles – ultra-hotels, independent luxury hotels, and small boutique hotels appear to provide at least as much income.¹⁸

¹⁷ These are based on several data sources: CBS National Accounts, the Horwath Caribbean Hotel Industry Study 1998, the PKF Caribbean Hotel Trends 1994 Edition, the ARDA Caribbean Timeshare Industry Survey 2000, as well as confidential surveys and interviews for the present project. The categories and samples used in these various surveys vary markedly. For the present study these data are consolidated and adjusted for specific types of accommodation, such as “ultra” and boutique” hotels which are not well represented on the Island. The total impacts are calculated for each activity using the Aruba input-output tables. These results are not yet fully reconciled with those prepared for the 2001 National Tourism Conference.

¹⁸ A previous calculation presented at the 2002 National Tourism Conference, The Impact of Tourism on the Economy of Aruba, showed that in a situation where a chain luxury hotel receives full tax holidays on

Figure 5.11. Income per Room from Different Styles of Accommodation



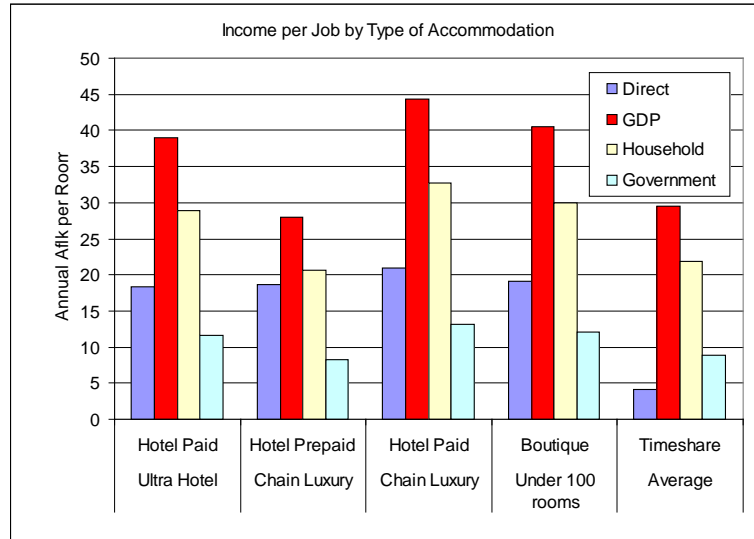
Given the requirement to reduce population growth, it is more appropriate to measure the contribution of different types of tourism on the basis of income per additional job created, rather than as income per room. As explained elsewhere, there are considerable variations in the total number of jobs created per room. This varies between less than 3 for mid-price hotels to over 5 for luxury hotels. This total includes jobs in accommodation, including casinos, as well as downstream jobs induced by local purchases by hotels, jobs in tourist restaurants and entertainment, and all other downstream private and public sector jobs.

Figure 5.12 shows income creation per additional job for each type of accommodation. The differences in income between types of tourism and accommodation are reduced markedly. Ultra hotels and boutique hotels perform well compared to luxury chain hotels or timeshare. This suggests that they should become a part of the portfolio of tourism products in Aruba, adding to the existing transient hotels and timeshare. This is especially because, to some

construction and operation and the majority of workers are from new migrants, the net revenues for the government are negative.

degree, both depend on exploitation of new markets and tourist assets and respond somewhat differently to market fluctuations.

Figure 5.12. Income per Job by Style of Accommodation



5.9. An Illustration of Income Stabilization

The goal is to develop a set of products that meet desired criteria and pace introduction to evolving Aruban goals and needs. In addition to delivering income and jobs, growth should be adaptive to changing conditions and opportunities, and resilient to unforeseen events. This may be achieved by selecting a portfolio of tourism products in which each product has a role in income creation and protection. A simple example of this approach based on a single key dimension of diversity – the composition of tourist accommodation - is illustrated here.

A first step is to establish the statistical relationship between the loss of revenue and variations in occupancy. This has been done on the basis of average annual month-to-month variations from 1996-2002. Similar responses can be estimated for other types of variation.

For transient hotels the price elasticity is 3.1 (i.e. a 1% decrease in occupancy is associated with a 3.1% decrease in revenues). By comparison the price elasticity is far less at only 1.2 for the timeshare occupancy with transient visitors counted as 30% of business. These results are then used to estimate changes in income from possible future variations in demand.

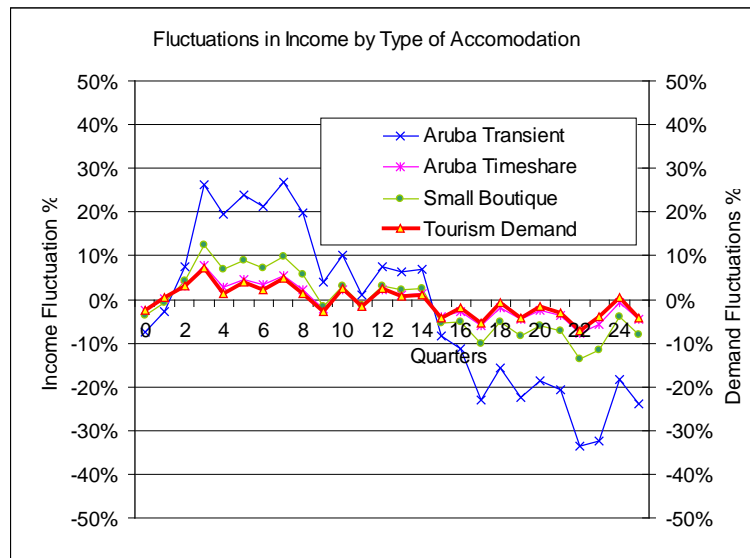
Figure 5.13. shows how a particular random variation in the demand for tourism will affect revenues for three different styles of accommodation. The income loss is taken to depend on the level of income and the current variation from the trend. The income of transient accommodation shows the greatest variation since these hotels are the most sensitive to variations in demand both in terms of price and occupancy and also take longer to recover from shocks and downswings in occupancy.

Figure 5.14. compares the level and variability in the contribution of tourism to GDP when all accommodation is of a single type (luxury hotels) with the contribution from a “balanced” mix comprising equal numbers of luxury, timeshare, and boutique accommodation. The balanced accommodation provides a more stable income stream without greatly affecting the average level of income. Repeating the same calculation many times with different random variations in demand shows that on a statistical basis the average net income from a given number of rooms with a balanced portfolio of rooms is about 105% of the net income from the same number of luxury hotel rooms. The standard deviation on income is reduced to 60%. The most important feature of such a strategy is that it protects an economy against depressions in income.

Whilst this illustration takes account of only a small number of variables shown in Table 5.1, it clearly illustrates the potential gains from adopting a portfolio approach to managing tourism in Aruba. The data currently collected by the CBS through the visitor survey and other organizations are sufficient to extend the approach to other dimensions such as market area, visitor, demographics, seasonal events, and so on. The illustration, as

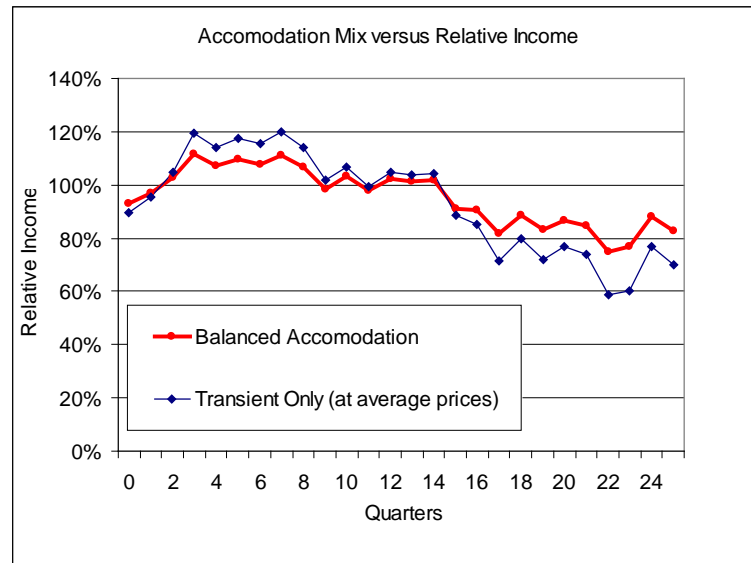
presented, does not include any adaptive mechanisms for adjusting supply or demand. However, sufficient information appears to be available to determine how marketing expenditures by ATA, for example, might be distributed in order to smooth seasonal variations by market. Whilst hotels and other businesses do not generally disclose all the information required in order to establish an optimal strategy, some of this may be imputed from CBS and other surveys.¹⁹

Figure 5.13. Variations in Revenues for Accommodation



¹⁹ For example, the response rate for survey of hotels and timeshare properties undertaken for the project was disappointingly low. Nonetheless, interviews with managers and hospitality management literature provided a broad understanding of the modus operandi.

Figure 5.14. Comparison of Income with Single or Mixed Accommodation



5.10. Strategic Management as a Framework for Planning

This report sets provides a framework for understanding tourism in Aruba and offers a direction for its future development. However, even if this direction were to be accepted it must be re-assessed and updated on a regular basis. This is the essence of strategic asset management. This can only be achieved effectively by ensuring that the ability to monitor, evaluate, and redirect tourism becomes embedded in the planning and policy structure of Aruba. It is apparent that the Island has relatively high quality statistics but less analytic capability.²⁰ Despite this, it should be stressed that Aruba probably has a comparative advantage over most other destinations both in terms of the superior management of the

²⁰ The Caribbean-wide situation has been summarized as follows by W. Momm, Director, ILO Caribbean Office ILO Tourism, 24th Annual Caribbean Tourism Conference. The first obstacle to analyze the situation is the difficulty to come to a clear definition and delineation of the sector. The second obstacle is the absence of reliable and sufficiently detailed and segregated data. The third obstacle is to determine the true size of those economic activities that - while not being part of the official tourism industry in the strict sense - depend nevertheless entirely or partially on the tourism sector. All this is compounded by the absence of regionally accepted definitions and methodologies so that data of one country can frequently not be compared to data in another country.

industry and its empirical and analytic resources. If this information is properly used it becomes a valuable asset.

There are obviously many departments and institutions in Aruba that are concerned directly or indirectly with tourism or whose activities directly or indirectly impact the sector. Nonetheless, until the establishment of the **National Tourism Council**, there has been no effort to bring together these various perspectives. Ad hoc conferences and occasional consultants reports – usually driven by some immediate crisis – do not provide a sufficient basis for planning. Crisis management is an important component of planning, but is hardly a viable long-run strategy. Much the effort expended on reports is dissipated – reports are shelved or lost so the analysis and data collection must be repeated each time an issue is addressed, and the experience and skills of Arubans involved are wasted. If the framework is to succeed then it must be established in a more formal manner. It is essential to develop a “look-out” capability for Aruban tourism planning, to maintain strategic alternatives, and evaluate every new initiative within the overall objectives.

The NTC represents an important initiative in terms of developing a consensus across government departments concerned with tourism and some key sectors of the industry. Most important is that public-private cooperation has begun. However, the difficulties of the initiative have become evident over the course of the present project. On the one hand it is essential to have key players with the knowledge and insights and influence involved: on the other hand such people are incredibly busy and not able to devote the needed level of effort.²¹ The need is to have access to their insights and influence but also have the capacity for the day-to-day tasks of data consolidation and analysis.

This might be formalized as an **Independent Commission**. The overall responsibility would be advise on the broad directions for tourism on the Island and also help to ensure that the goals are met. The members of the Commission would be invited by the Minister of

²¹ This is certainly not intended as a criticism of NTC members. It is simply a fact of life that heads of sector organizations, trade organizations, government advisors, and the like already have full-time jobs.

Tourism or nominated by their respective organizations or co-opted by the Commission itself. In any case it is recommended that the present membership be extended to include representatives of interest groups and organizations – labor, regional spokespersons, cultural groups, environmental organizations, small hotel and small business proprietors, and so on. The commission should be a permanent body.

A **Tourism Analysis Unit** must support the commission. This “think tank” should have a professional staff drawing on institutions represented by the NTC. It should maintain a consistent database, monitor trends, and undertake high-quality analysis to establish the continuing knowledge required for strategic asset management. To be successful the unit needs to have a wide range of inputs both in terms of statistics and perspectives. To some degree these needs are in conflict since much data are confidential and recognizing different perspectives means accepting criticism. Analysis needs to combine detailed insider knowledge of the local industry and Island with a broader understanding of the outside context. This affects institutional location of unit (e.g. university, ATA, ministry, or elsewhere.) Whatever the institutional location it is important to make use of the know-how and analytic capacity in government departments, university, tourism school, industry organizations, central bank, development bank, environment groups, private consultants, and so on.

The goals for the analysis unit would be similar to those for the present project. The principle differences are: i) that analysis should be on a continuing basis with regular monitoring and updating, as required, and ii) that, as far as possible, analysis should be carried out by Arubans, preferably as a full-time commitment.

Consolidate Information:

Consolidate existing data of Aruba tourism organizations, government, consultant, academic and agency materials (reports, websites, books, and journals, interviews). Similarly,

consolidate information from International tourism organizations, government, consultant, academic, and international agency reports.

Maintain a Long-Run Outlook:

This is necessary to frame discussion about the future of the Island in the light of emerging economic, social, environmental possibilities, constraints, and goals. As circumstances change, this will determine the details of medium and short-term policies.

Adjust the Medium-Run Strategy:

Evaluate trends and forecasts (such as continued globalization and consolidation of the industry), as foreseeable levels of unpredictability (for example, demand fluctuations), and also to recognize the more apparent opportunities trends and constraints. The goal is to ensure that the Island maintains a robust, realistic, flexible, updateable, strategy.

Advise on Short-Run Policy:

Develop capability to assess individual projects and clusters of projects and contingencies in terms of their impact on economy (e.g. overall, secular, household, revenues), use and environment (coastal beach, reefs, flora and fauna), infrastructure (roads, land, utilities), and social (demographic, cultural resources and change).

Develop Analytic Tools:

Improve systems for data analysis and dissemination, forecasting and policy analysis. A first step would be to establish an inventory of tourism assets, including opportunities in tourism resources, whether environmental, economic, infrastructure, social, or cultural, etc. and also the corresponding potential bottlenecks and limitations.

Training:

It is necessary to improve training in relevant techniques including qualitative methods, forecasting and scenario analysis, environmental accounting and GIS, focus groups, and survey analysis.

5.11. Principles for Management of Growth and Diversification

The overall goal is to develop a framework that offers Aruba a means to develop a robust, flexible tourism development strategy. This report has shown that there are possibilities for developing such a strategy.

The strategy aims to match expansion of tourism to changes in Aruban needs. The starting point for setting the pace and timing is to match growth of accommodation to the growth of resident labor force (to ensure full-employment). However, growth needs to be somewhat higher in order to maintain a dynamic tourism sector (new imported skills and know-how, productivity gains, local competition). It is also necessary to provide a cushion for residents against fluctuations in employment and income (from layoffs, cyclical effects, and shocks).

However, to be successful a strategy must meet with broad agreement from all sectors and social groups. It is important to understand tourism in relation to identifiable needs, possibilities, and alternatives on an ongoing basis. Further, there must be sufficient consensus and stability in terms of goals but sufficient flexibility to be able to respond to changed circumstances. In particular, the tourism industry needs to be able to plan over a reasonable investment horizon, government needs to develop resources to support the industry, and the population at large needs to feel comfortable with changes and that they will benefit from them. Moreover, it is necessary to balance short, medium, and long-run interests and possibilities.

The strategy allows the Island to slow the pace of growth to whilst improving the tourist experience – in other words to present Aruba as a restricted but highly desirable product. This implies that visitors will pay a premium and developers will compete to invest. Similarly, to ensure that all Arubans share in this income growth it is necessary to ensure a sufficiently tight labor market so that workers share in the improvements and owners support training and productivity enhancements.

Overall growth should be adaptive to changing conditions and opportunities, and resilient to unforeseen events. The strategy aims to create and maintain a robust portfolio of tourist products (as characterized by accommodation, tourist origin, market, and so on). This includes diversification, but in a more adaptive way to balance overall performance within the long-term sustainability goals. The proposed new regional development and new accommodation styles will complement existing diversity. Further expansion needs to be adaptive to other changes in other sectors of the economy, as well as changes in the tourism markets. For example, the rate should be slowed if proposals for other areas such as those identified in the Visions Report.

The Island needs some additional tourism products to ensure a more robust portfolio, to make use of underused endowments, and to capture new markets. It is important to ensure that existing products mature gracefully. The quality of some properties must be improved and new construction y planned so that the various regional locations are not degraded through further over-development. Some new products can be developed directly from the existing visitor base. For example products should take account of visitor life cycles and the high return-rate and word-of mouth recommendations, especially through the sequencing of honeymoon-family-timeshare-retirement-next generation of visitors. To maintain an exclusive aspect for existing and new products it is important that they more fully embody authentic Aruban identities.

For incomes to grow it is essential to steadily improve performance at the level of individual businesses, across sectors (including especially the public sector), and the economy as a whole. The former requires improvements in product quality, labor productivity, and professional management. Vital issues here are the need to improve the skill match between resident job seekers and the jobs induced by tourism, and the need to encourage and entrepreneurship among Arubans through management training and investment.²²

Sector productivity can be improved through strategic location of facilities to improve capacity utilization, through industry organization and through cooperation between businesses and partnerships with government. For example, hotels have initiated some collective security arrangements through their respective organizations. There are possibilities for more flexible hiring arrangements that do not jeopardize job-security. At the economy-wide level it is important to enhance multiplier effects through identifying substitutable inputs to tourism, especially those in skill-intensive sectors such as business services. For the public sector there is the need to generate revenue from tourism sufficient to fully offset tourism-related expenditures.

²² In “The importance of employment conditions, training and good labor relations for tourism development in the Caribbean”, W. Momm, (Director, ILO Caribbean Office) observes that because of the highly competitive nature of the (hospitality) business, quality control and quality services become important aspects of business strategy. Quality strategies are intrinsically linked to good human resource strategies and to endeavor to be more responsive to employee interests and to regard employees as assets. This will generate a culture of training and the creation of decent working conditions and adequate reward systems, as these are the prerequisites for bringing the best out of people and for keeping them. (24th Annual Caribbean Tourism Conference).

6. DIVERSIFYING TOURISM BY ISLAND CULTURES AND REGIONS

This section presents some recommendations for the enhancement of tourism in Aruba by culture, culture areas, and by geographic regions. Some specific products and projects are also discussed. A full listing of products and projects, with detailed descriptions, their locations, and rationales, are presented later in the section on proposed new tourism products, facilities, and products.

6.1. Developing Tourism around Culture

In developing a 'unique Aruban experience' it is necessary to look to the Island's own history, people, and culture. Where possible, tourism products should draw from an authentic base of embedded cultural values and practices, and to the accomplishments, aptitudes and resources of the Aruban people. An authentically based product -- enriched, meaningful and entertaining -- will also increase the possibility for such products to achieve longevity. Another strategy for attaining durability is to attach projects, where appropriate, to existing spheres of everyday life; for example, to village social life, around some economic activity, or to public festivities.

In order to import or utilize culture in tourism, culture needs to be defined, and the nature of Aruban culture and identity understood. Using the example of Italy and France, there is little physical difference between the two populations; but they are different in terms of their respective cultural characters. It is culture that separates one group of people from another, it is what make the French, French, and the Italians, Italian. In the simplest terms, **culture** refers to the set or pattern of values, beliefs, behaviors, and worldview of a group of people. The artifacts and technologies that particular cultures produce are called **material culture**. In Aruba those that descended from settlers arriving and intermarrying

before the 20th century share a pattern of culture. However, like all Caribbean Islands, Aruba is a plural society in which historic migrations shaped the ethnic and cultural diversity of the Island. The so-called 'real' or native Arubans -- the *Arubiano autentico* -- are of mixed Arawak, Spanish, Dutch, Sephardic Jew, and African heritage. They are distinct from other Arubans who are 'native-born' but are descended from 20th century settlers comprising peoples from the British West Indies, Suriname, East India, Lebanon, and China. After the mid 1980s new immigrants came from Columbia, Venezuela and other South American countries, Dominican Republic, Haiti, and from the distant lands of the Philippines and Africa. Today, their children are native born Arubans.

An important concern for the future of tourism in Aruba is that it retains a unique identity as a Caribbean destination. In part, this identity has been based on the friendly and hospitable nature of the native-Arubans. This phenomenon, together with other aspects of native Aruban culture and history should be explored in order to impart a truly 'Aruban flavor' into as many other aspects of tourism as possible.

To date, the language and culture of North America has dominated tourism products and have been quite successful. But if we take a broad overview of the population today, in addition to the majority native Aruban population, there are three other culturally distinct groups which are sufficiently strong to impart some (counter) cultural ambience to the Island: the culture and language of the English Afro-Arubans, the Dutch presence, and the increasing Spanish-speaking Latin-Aruban population. Although an important part of the product development strategy is to 'Arubanize' tourism to counter the over-Americanization and increasing Hispanification of the Island, the real cultural diversity of the population does in fact provide a rich referential source for the development of other culturally diverse entertainments, crafts and festivals. It also allows us to differentiate and develop at least three distinct Island regions (Noord, Santa Cruz, and San Nicolas) -- each one imparting a distinct ambience and authentic cultural flavor. These contrasting goals will be balanced to develop a productive complementarity for tourism, with a

predominant 'Aruban' ambience built upon 'traditional' native Aruban culture, the Island's history, its diverse population, and some unique features of the Island's landscape.

6.2. Looking for Cultural Symbols

In this section, the primary focus is on developing products based on Native Aruban culture, material culture, traditions, and history. When it comes to differentiating Island regions, other cultural resources will be utilized where appropriate. The most important symbol of native culture has been successfully deployed for many decades. This is the natural character, or 'native ethos' of the Arubans. Deconstructed, elements include the following: friendliness, family oriented, shyness, a gentle demeanor, hospitable, and romantic. From their Sephardim ancestors, native Arubans (perhaps) have inherited a strong sense of freedom and desire for autonomy, and from their Arawak Indian ancestors, perhaps a gentle shyness.

The symbols most commonly associated with being native-Aruban (although some of these are shared with neighboring Curacao and Bonaire) are the Papiamentu language (with its small Caiquetio lexicon), the concept of the Cunucu (from the Indian word *conoco*), and the old cunucu houses, local dances like the waltz and the tumba, folkloric celebrations like deramento di gai, and the New Years tradition of the dande. Others symbols include Aloe farming equipment, herbal medicines and magic waters, local foods: *Pan bati*, *funchi*, and *bonchi* (sorghum bread, corn pudding, beans), Ayo Rocks, the watapana tree, stone walls and cactus fences, tankis, Indian habitats and cave drawings, and so on. Together with the 'native ethos' some of these (cactus fences, cunucu houses, local dance and music, aloe, Indian rocks/caves) make up the look and feel of Aruba, which constitutes the 'unique' appeal of the Island for tourists. Where possible, these should be utilized in products, projects and facilities.

6.3. Developing Culture Areas

In the same way that it is possible to develop products with a distinct cultural flavor, it is also possible to develop Island regions according to culture. For example, Santa Cruz as a ‘culture area’ may be developed as the ‘folkloric’ or ‘traditional’ heart of the Island; and San Nicolas could be developed as ‘a Pan Afro-Caribbean town’ and ‘the musical heart’ of Aruba. It is important to avoid overlap of products to avoid competition across the Island. With the differentiation of regions by culture, tourists will be encouraged to visit different places to see and experience the ‘different’ sides of Aruba. Three regions may be developed in this way: Santa Cruz, Savaneta, and San Nicolas

Santa Cruz as a Culture Area:

Santa Cruz could be characterized as the ‘traditional’ or ‘folkloric’ center of Aruba. This region constitutes the oldest inhabited Indian site in Aruba. Legend holds that an Indian Cacique from the Paraguayan peninsular came to Aruba, and converted several Aruban Indians to Catholicism at Santa Cruz. He also erected the first Christian cross on the Island in Santa Cruz. In view of its Indian-associated history, and the continuing traditional character of the Santa Cruzan’s, it would be more than appropriate to promote this area as the ‘folkloric heart of Aruba’. Even today, the festivals of deramento di gai, and dande, are celebrated here with a particular respect for their traditional forms. Projects here include the building of a 19th century-style museum village, and an annual celebration of folkloric festivals and music. A local restaurant next to the museum village would serve Aruban food and offer folkloric dance demonstrations and lessons.

Savaneta as a Historic Culture Area:

Savaneta is the oldest colonial settlement in Aruba – first inhabited by the Spanish, then the Dutch, it was the first ‘capital’ of Aruba. The Spanish chose this site for its deep harbor, which gave ships access to the Island. After the Dutch moved the capital to Playa (Oranjestad), Savaneta was left to develop as a fishing village, and later, into a large

urban settlement. The seafront has retained its original flavor with many old, well preserved classic cunucu houses and narrow streets, first class seafood restaurants, and fishermen's bars. This area should be promoted as 'a historic site, and the location of Aruba's first colonial settlement.' Products here would include a Fisherman's Wharf village-style resort, in the 'heart of a historic seafront'. The 'Old Seafront Village' should be enhanced by cleaning, landscaping and beautification (old cunucus painted in yellow, pink and blue pastels if owners permit). A 'village walk' could be signed; perhaps some small bars and cafes will spring up in response to the presence of tourists.

San Nicolas as a Culture Area:

San Nicolas may be viewed as not only a refinery town, but also as a '1950s Afro-Caribbean town'. It is also widely recognized as the 'musical heart' of the Island. For decades, the town has served as a destination for new migrants – as such the population represents many countries other than the Caribbean. However, the center of the town and many of the original small wooden houses have remained relatively intact since the 1950s and 60s when it was home to thousands of refinery workers from the English Caribbean. As such, San Nicolas has a different ambience than that of Oranjestad and the other larger towns; it is a cosmopolitan town with a lingering 'English' flavor. Together with the cultural composition of the population, this provides the rationale and physical foundation for developing a different and alternate style of tourism here.

Given its history, San Nicolas should be recognized as cosmopolitan, but for the purpose of promoting San Nicolas as a tourism destination, it should be advertised as an 'Afro-Caribbean town'. The Village - located between Bernhardstraat and Zeppenfeldtstraat -- has retained its original English Caribbean flavor. Products here include the renovation and painting of all old buildings in bright Caribbean colors (owners permitting), establishment of a 'Music Quarter', which comprises four village blocks of bars with live Caribbean music; a summer 'All Caribbean Carnival'; three Caribbean music festivals, and a colorful central open market (food, arts, crafts, antiques, etc). With the new hotels,

landscaping and infrastructure, and increasing tourism-related entrepreneurial activity, San Nicolas will develop a cultural flavor unique on the Island.

6.4. Diversifying Tourism Across Regions

The overall goals for the regional recommendations that follow are:

- To make better use of Aruba's diverse tourism potential through new tourism products and projects,
- To create more economic opportunities for Aruban entrepreneurs,
- to improve and consolidate existing tourism products within defined geographic areas (to limit urban sprawl and unnecessary travel whilst maintaining agglomeration and scale economies), and
- to control the burden of tourism activities on the Islands natural environment.

NOORD: Palm Beach, Arashi Beach, Druif/Urirama, Malmok, Noord Village, and Hadicurari Beach:

Palm Beach is the most established tourist area in the existing tourism corridor. Although designated for high-rise hotels, the area now contains a mix of luxury, family, and timeshare accommodation of varying vintages and architectural styles. The area as a whole lacks stylistic coherence and several relevant of the recommendations of the Sasaki Plan are still outstanding. The high demand for workers has promoted rapid residential development inland from the hotels. The goal for this area is quality improvement in order to increase the income to the Island (workers, entrepreneurs, and public revenues) without greatly increasing the number of tourists or labor force (in order to slow the momentum of both internal and overseas migration). Also, the aim is to rationalize land-use and improve the visual aspect of the region.

It is recommended that this area return to an emphasis on higher-end North American style tourism. Properties should be improved to increase income and enhance the general standard of accommodation. The number of rooms in existing hotels should be incrementally increased. It is suggested that older properties -- specifically the Holiday Inn -- should be either renovated or redeveloped. The landward side of Irausquin Blvd opposite the hotels has emerged as an untidy mix of car parks, restaurants, and sports facilities. The quality and type of facilities is appropriate, but the area should be made stylistically coherent. Ideally, this stretch of road should have the atmosphere of a tourist town Main Street, with stylistically similar building facades. Car parks should be moved back behind the road front buildings, and new inset-style plazas built.

Most of the hotels sites specified in the Sasaki Plan are now taken. But there may be available sites adjacent to the Divi Phoenix (Palm Beach at Pos Chikito), and on the Hadicurari side of the Marriott. It is expected that the first site will eventually be developed. Further development of high-rise hotels on the two lots on the northwest side of the Marriott towards Hadicurari is not recommended. This beach area is used by

tourists (for exercise and wind sports), as a public beach for recreation and camping by Arubans, and also supports a long established fishing community. Recommended use of this land would accommodate two projects: next to the Marriott, a landscaped beach park (Hadicurari Beach Park); and next to the Beach Park, a managed year-round, short-stay campground for residents with facilities (Hadicurari Campground). Other general recommendations for this area concern the regulation of water sports and beach vendors, extend beach policing, and establish some specific environmental protection measures.

Consideration is currently being given to the development of an ‘ultra quality’ (six star) hotel on Palm Beach. However, this would present some economic problems: a large building here will seriously interfere with the wind surfing activities crucial for the sustainment of the Boardwalk Hotel and the many small tourist apartments clustered along the Boulevard towards Malmok. Already the Marriott complex has blocked much of the offshore wind necessary for this sport, pushing tourists towards the dangerous reef areas at Malmok.

Given these considerations, a more suitable location for this ‘ultra’ hotel might be Tierra del Sol. This site is suggested for two main reasons: the facility has considerable available space; and second, the existing development has already established the necessary infrastructure: utilities access, extensive landscaping, an 18 hole golf course, and other recreational facilities. We propose also that the new structure be of a low-rise exclusive cluster configuration in keeping with the new conceptual framework for tourism.

The Palm Beach Road from the hotels to Noord is part of this area. Restaurants along here have served tourists for many years with fluctuating fortunes. Although somewhat out-competed by amenities closer to the hotels, this strip is well established and now also serves the new resident communities in Noord and Bakval, and some apartment-style resorts. However, development along Palm Beach road, and now along Caya Francisco Figaroa from Noord to Malmok, has been piecemeal, and again a consistent style

(adherence to frontage, materials, tree planting, etc.) should be developed. Noord could develop into a fully-fledged attractive town. A 'Pueblo Living Village' is proposed for Palm Beach Road as a showplace for the display of Aruban culture, as a site to develop and sell Aruban crafts, and as a major tourist attraction for Noord.

The coastline of the north shore is well frequented by sightseers. Sea Grapes could be planted along inland side of Malmok to California Dunes to enhance the popular coastal walk. Continue to landscape and place tree-shades benches at attractive lookout points along coastal walk. The north shore is loved for its rugged and wild characteristics, and renting a jeep to explore the 'wild side' of the Island is especially popular with tourists. New products here can add another layer of interest to the coastline. A public art project is recommended between Druif and Urirama. 'Caiquetios Antiguos' consists of three 20+ foot high stone and concrete statues that pay homage to Aruba's Indian ancestors. They would be located on the land below the stark rocky outcroppings, facing out to sea. As a major tourist attraction, this will be a national monument of spectacular proportions.

Walking path connectors should be established on the seaward side Lloyd Smith Blvd all the way from Malmok to Tamarijn. This path will connect the whole tourism corridor along the beachfront. Tourists and locals can use the path for exercise, and recreation without having to step onto the highways. The landward side of the Boulevard, from the Boardwalk Hotel up to Malmok, consists of vacation apartments (serving wind sports), and private residences (several of which operate vacation rentals). This mixed-use development is a rational and economically viable use of this rocky shoreline, and should continue. Additional projects recommended for this area are the construction of natural pools in small coastal inlets along the Arashi shoreline; along Palm Beach proper, a Water Bungee Jumping facility; and a series of small 'Beach Bars' placed between the hotels at the back of the beach. Also, an Underwater Marine Park should be built offshore, at a site with deep water, in the region of the Bubali bird sanctuary (to become Bubali Wildlife Park).

Zoning of water sport activities must be a priority. The ‘peaceful beach experience’ that tourists to Aruba have long valued, is no longer the case. When water sport activities were placed between hotels, away from the tourist sitting and swimming areas, they were a welcome attraction. Now there are far too many of them. Some set up in front of the hotels where they are loud, turn up their music, (spoiling the peacefulness that tourists repeatedly say they love), and block the view of the sea. These (mostly young) men, also enjoy revving up their boat engines loudly, and accelerating with unnecessary speed. This creates noise, muddy water, and a violent wake for swimmers. Further, they occasionally spill gas into the sea when filling their engines. Kayaks and other small boats occasionally enter the swimming enclosure, which is extremely dangerous.

The hotels do a good job cleaning the beaches, and the ‘beach police’ are a reassuring presence. However, the ‘seacoast experience’ has been diminished in several ways: First some local residents bring dogs onto Palm Beach where they fight, bother tourists, and defecate on the sand. ‘No Dogs Allowed’ signs should be posted from Hadicurari to Manchebo.

All major and minor roads must be signed. This is to make tourist sites more accessible. This is also a good opportunity to impart a native flavor to the Island through the use of native names ‘Watapana Avenue’, and honor local heroes, sportspersons, artists, and entertainers. Also where a road leads directly to a point of interest, the road should be named accordingly, e.g. Casibari Road, Andicuri Beach Road, Arikok Park Road, etc.

ORANJESTAD WEST: Eagle Beach, Manchebo Beach, and Druif Beach:

The beaches from Eagle, Manchebo to Druif traditionally have been designated as the low-rise area. Unlike Palm Beach, this area is developing a coherent visual aspect based on an emergent Dutch-Aruban style of architecture. With the advent of Divi Aruba’s new golf course – The Links, the quality of this area is improving overall as tourism product.

The recommendation is that this area should maintain its orientation towards a European smaller scale of tourism, and as a family-oriented complex. Incremental additions to the number of rooms in existing establishments may be appropriate. With development and in-fill of timeshare and smaller hotels, this stretch also is reaching the limits of development. Thus, apart from modest extensions to existing properties, most development will be in the direction of Palm Beach. At this time the availability of land is unclear due to the expansions of the medical corridor and the upgrading of the sewage water treatment plant (as specified in the Sasaki Plan). However, over time the remaining sites should become occupied by family-oriented timeshare developments and condominiums. Appropriate recreation facilities, notably a recreational water park facility should be developed.

The enhancement of the Bubali Bird Sanctuary to a 'Bubali Wildlife Park' (visitor center, butterfly farm, botanical garden, etc.) should proceed. This will provide an additional amenity for tourists and Arubans and improve the visual aspect from Sasaki Highway and J. R. Irausquin Blvd. Over the next decades the landward side of Sasaki Hwy from Oranjestad to Palm Beach is likely to become fully developed. At present this process has produced a disorganized and untidy succession of fast food restaurants, nightclubs, and retail outlets. The development should be re-conceived around a series of distinct nodes (for example, moving outwards from intersections, or as well-defined plazas).

With the relocation of the container port to Balashi there will be ample space for the development of new hotels (Royal Dutch Town Hotel) and tourist amenities, including small beaches. However, such expansion could increase overall regional burden in the Oranjestad region. This constraint might reduce if other non-tourist related activities (banks, insurance, government, are relocated outside the city), or decentralized, or when productivity improvements in the tourism sector and the Island economy as a whole have improved. This area eventually could be used for retirement condominiums, small low-rise hotels, restaurants, and entertainment, with parks that promote seascape vistas.

The detailed recommendations include establishing a National Museum, and a 'Dutch Town Plaza' shopping facility, and the continued restoration and Dutch-style refacing of buildings and districts within the city by block and street, with the removal of some buildings. The Wharfside Market should be extended to incorporate a wider range of Aruban-made products (for example, from the Pueblo Living Village workshops, Artesania Aruba, and independent arts and crafts people) but building on the existing long-established market.

Commercial development along Lloyd Smith Blvd between Certified supermarket and the bus station is vernacular and unsightly. Buildings should be refaced in a consistent Dutch-Aruban style. In some cases offices should be relocated (for example, the public works department) or demolished (the old slaughter house). The Paardenbaaistraat gas station should be relocated releasing this site for the improvement of traffic flow and for landscape beautification.

ORANJESTAD EAST: Paardenbaai, Oranjestad town center, Bucuti:

Oranjestad plays a central role in tourism as the major shopping center, as a historic and cultural center, as the port for cruise ship visitors, and increasingly for the location of hotel, timeshare, and new condominiums. With the redevelopment of the late 1980s, tourist activity was concentrated around the front harbor area with little spillover into the rest of the city. At the same time, the overall growth in tourism and other economic activity has intensified the growth of suburbs around the city. The aim is to attract visitors deeper into Oranjestad, both in terms of its history and culture, and to enhance the picturesque flavor of the city, without excessively increasing the burden on the Oranjestad region as a whole. The refacing of commercial buildings in Oranjestad has significantly improved the built environment of these areas, and as such, this practice should be expanded wherever possible on streets frequented by tourists.

To enhance interest in the Island's history (both for locals and visitors), old colonial buildings should continue to be rescued from deterioration. A cluster of significant buildings should be identified for inclusion in a 'Historic Oranjestad' tour. Then, from photographs and written sources, renovate and recreate with furnishing, the inside of these 18th or 19th century homes/government buildings. Informed tour guides should be prepared to give historic accounts of life and work in these buildings.

An open plaza/walking promenade feel will only come with the long asked for complete closure of Caya Betico Croes to traffic. Extend tile paving across width of street. Reface buildings with Dutch architectural features. More trees and planters could be placed in plaza. To enhance the ambience of this Dutch-like town street, tables and chairs could be placed outside, under shades, in front of refreshquerias and coffee bars. Licensed street vendors would lend color and ambience to the Plaza.

A Carnival Museum should be established in the area of Cas di Cultura at the east end of Oranjestad. The museum will include a large exhibition space, carnival offices for SAC, archives, a museum shop, a restaurant, and a theater. A weekly dinner and carnival show will be held. Products for sale developed with carnival theme.

The airport to town drive is the visitor's first experience of the Aruban physical environment. The poorly maintained verges, and large billboards make this an unattractive drive. The billboards should be removed and the verges should be cleaned, landscaped, and planted with an avenue of tall trees.

SANTA CRUZ: Santa Cruz town center, Arikok, Boca Andicuri:

Santa Cruz as a locale has not participated greatly in tourism. The area is becoming part of the Oranjestad commuter belt, and is a weak focus for regional economic activity. It is expected that the present town center in Santa Cruz will become more fully developed through increasing business from local households. But beyond this, the area has cultural and physical attractions that could be developed. The area could gain economic and other

benefits through greater participation in tourism, and this could also reduce the burden on the Oranjestad and Noord districts. The region could be presented as the ‘folkloric heart’ of Aruba, for example, through the building of a show village (Old Aruba Museum Village). This attraction would depict 19th and early 20th century way of life: agriculture, domestic life and their associated technologies.

Santa Cruz could also establish an open covered theater, hold traditional dance lessons for tourists (Folkloric Night) and produce a weeklong annual festival of folkloric celebrations (Arufest, including deramento di gai, dande, and popular regional dances). The town should be established as the gateway to the Arikok national park, and the Ayo-Andicuri area, with further development of recreational activities, such as pony-trekking, mountain biking, and hiking following the preservation goals laid out for the National Park.

Within the proposed zoning plan, the entire back of the Island up to the ridgeline and including the National Park is designated as a protected area. With the exception noted for Seroe Colorado, this is consistent with the present proposals. The availability of largely untamed vistas and a wild coastline is one of Aruba’s defining attractions. With the growing population of residents and tourists, and increased use of off-road vehicles by both, a primary concern must be to protect this environment, and visual integrity of the area.

It is proposed that a trailhead for ATVs and other motorized off-road vehicles is located at the Natural Bridge. Marked trails for these vehicles are established between the Bushiribana Ruins and Arikok Park up to the ridgeline. These trails should be maintained and patrolled on a regular basis. The dunes at Boca Druif, Boca Daimari, and Wariruri, etc. should be physically protected from intrusion. Traditional stone walls and cactus fences could be used here. The goal, as with motorized water sports is to encourage small scale entrepreneurship in the tourism sector, but limit the environmental damage and risks to visitors and locals that results from uncontrolled use. It is possible also that similar

limitations should be placed on hiking, horse riding, and mountain biking with the designation of shared-used trails.

The Arikok National Park needs a more substantial Visitor Center. Center would provide information, trail and attraction guides with maps, a plant and wildlife spotting workbook for hikers, restroom facility, first aid, refreshments, and so on. Bicycle rentals might be of interest.

Additional protection should be afforded to the caves at Guadirikiri with ancient Indian paintings, and other places that have been vandalized over the last decades and crudely commercialized with torch rentals and the like. The natural location of all caves should be enhanced through landscaping and access monitored to protect against vandalism. This latter effort could be achieved by the presence of a 'cave guide' at each site. This cave guide will also give some geological and historic account of the caves, and provide torchlight for visitors (he/she is government paid, may receive gratuities). Additional shade and rest areas might be provided at natural vistas along the coast.

The Alta Vista Chapel is a well visited site. It is used for many religious activities, and is popular with tourists. The site is sunny and open and rather hot during the day. The area within the chapel garden walls is often filled with people. The area outside the walls could be planted with local shade giving trees (Kwihi, etc), and be provided with rest benches.

SAVANETA: Santo Largo Beach, Seafront Village:

Savaneta is another historic district that benefits already to some degree from tourism, primarily through its well-established fish restaurants. This area should be developed into a resort area for culture-oriented visitors who enjoy mixing with local communities. The area has many facilities such as retail outlets, restaurants, and bars - sufficient for a less commercialized style of tourism. The Rooi Koochi area with old aloe fields and

stonewalls is especially attractive for bicycling or hiking.

Of particular interest is the coastline at Brisas del mar Restaurant. This area has a fine cluster of older cunucu houses, attractive narrow streets and picnic grounds. This could be designated as a historic area since it was Aruba's first colonial settlement. A small resort could be built here, a possible location being on the north side of Brisas del Mar towards Santo Largo Beach.

The same possibilities also exist for other locations such as Pos Chiquito, with access to the mangrove beaches, sailing and fishing, De Palm Island, and other attractions. However, this area would need unsightly pipelines removed or buried, stagnant ponds drained, a general clean up, and an effective mosquito eradication control program implemented.

SAN NICOLAS SOUTH: San Nicolas Town, Boca Grandi:

Overall, the proposals for this region would use new tourism and related development to stimulate the San Nicolas area economy and boost employment. With increased economic activity and consequential population growth, this would stimulate suburbanization on previously developed terrain in, and adjacent to Seroe Colorado, reducing environmental pressure at the north end of the Island. The developments also would make better use of the presently under-performing infrastructure. The style of development proposed would also add robustness to Aruba's mix of tourist products.

As the location of a major oil terminal and refinery, San Nicolas has traditionally been the industrial town of Aruba. With the refinery, and undeveloped coastline, the area has not benefited from tourism in any significant way. San Nicolas was economically devastated by the shutdown of Lago with consequences for local businesses and the physical fabric of the town. Seroe Colorado, the former colony for executives at Lago, fell into almost complete disrepair. When the refinery later reopened, some physical and stylistic

improvements were made to the streets and densely populated neighborhoods. Although the town has slowly been restored, it still retains a distinctive Caribbean 1950s small town flavor. San Nicolas has long functioned as a dormitory town for new immigrants, many of whom commute the length of the Island on a daily basis to the tourism corridor. Over time, these may choose to relocate, placing further pressure on Oranjestad and Noord. The San Nicolas area is unlikely to develop further without the engine of new tourist-related activity.

The outline Sasaki plan for San Nicolas has led to a community-oriented vision for the town (Plan D-2), and it is recommended that this plan be implemented to fulfill the real immediate needs of the community. In terms of tourism, the principal recommendation is to encourage the development of San Nicolas indirectly by stimulating new tourist developments outside the town. In part, this is because the shoreline in San Nicolas is pre-empted by the oil terminal and the town is cut-off from the sea. Moreover, some neighborhoods inside the town itself have extremely high population while the periphery is rather low density. There are several attractive beaches around San Nicolas and Seroe Colorado: Baby Beach, Rodgers Beach, Boca Grandi, Bachelors Beach, and Colorado Point Bay Beach.

Boca Grandi, Bachelors Beach, and Colorado Point Bay should serve as locations for clusters of small hotels. Although this beach stretch is designated as protected in the preliminary Aruba zoning plan, it includes several hardened roads (in disrepair). Recommended developments will be environmentally low impact. Boca Grandi is increasingly used for water sports, and at least three hotels should be built between Boca Grandi and Colorado Point Bay. These beach resorts are designed to attract wind sports enthusiasts and those who prefer a less commercialized, low-key remote setting and non-motorized recreation (the latter in keeping with the low-key style of tourism preferred by the San Nicolas community). Two hotels are proposed here. An attractive access through the rural area behind San Nicolas would be via the Cura Cabai to Cero Blanco road with

an upgraded (approximately 2Km) connection to the coastal road from Rincon to Boca Grandi. This also would serve as an alternative back entrance to the Arikok Park. New beach protection would be required to protect swimmers and surfers from rip tides.

Inland, it is recommended that the old San Nicolas Golf course be refurbished to create a 9 hole grass course, tree-planted, and supplied with water, utilities, and clubhouse.

In the town of San Nicolas, proposals would provide entrepreneurial opportunities for new small restaurants, cafes and bars (Music Quarter), and tourist shops. Eventually small guesthouses may emerge. Specific attractions suggested for tourism (beyond the pre-Lenten annual carnival and Charlie's Bar, include a summer All Caribbean Carnival, a craft market, a quality town shopping mall, and a refinery museum in the old art deco water tower. San Nicolas should be promoted as the musical heart of Aruba, and three music festivals are suggested.

SEROE COLORADO: Baby Beach, Rodgers Beach, and Colorado Point Bay:

The refining company built a large bungalow colony and resort area for its American employees. This 'colony' is Seroe Colorado. The resort included clubs, a church, a hospital, and a school. After the refinery closed down, the housing stock was allowed to deteriorate. It is proposed that Seroe Colorado be restored and developed as a cosmopolitan Mediterranean-style town that should be allowed to expand inland. This will draw increased population and buying power into the depressed San Nicolas area. The houses must be refurbished and rebuilt, and sold to residents. A retirement condominium for foreigners is suggested for this location as would create downstream demand for private medical and care services. Also proposed for this new town is one small 20-room town hotel. As Seroe Colorado Town grows into a viable community, so will a demand for close-by facilities (provisions store, botica, postal/ bill payments, etc). Along First Avenue, boutiques, hairdressers, and cafes are likely to spring up.

There are two beaches in close proximity to Seroe Colorado - Baby Beach and Rodgers Beach. The former is a shallow, relatively safe, reef enclosed lagoon. Two family-oriented resort hotels should be built here, one at the back of Baby Beach, and another closer to the 'pet cemetery'. Rodgers Beach is unsuitable for hotel development because it is too close to the refinery, and has pollution problems. However, it is currently used for water sports, boating, and fishing. A marina should be established in the bay, and the old Esso Club facility should be redeveloped into a service complex: a restaurant, sports bar, souvenir and marina supplies shop, and a marina clubhouse.

On the site of the old Esso tennis courts, a public sports facility could be built which would include new tennis courts, a basketball court, and perhaps a mini-golf putting course. The facility would require public restrooms with food vending machines. This could bring more people to beach area, to provide more facilities for growing Seroe Colorado town community.

7. PROPOSED NEW TOURISM FACILITIES, PRODUCTS AND EVENTS

The purpose of this section is to present tourism facilities, products, and events developed, in part, around the principles established by the National Tourism Council of Aruba's 'Framework for Tourism in Aruba'. These principles emphasize:

- Sustainability
- Safety
- Quality Assurance
- Island Identity
- Public and Private Partnerships

The projects also address and promote one or more the following goals implicit in the principles:

- to broaden Aruba's tourism to attract untapped markets
- to increase the range of cultural attractions
- to increase new tourist spending opportunities
- to stimulate local entrepreneurial activity
- to reduce local employment
- to build sustainability into tourism projects
- to diversify the style and ambience of Island accommodation
- to establish tourism across Island regions
- to make explicit the traditional culture of Aruba
- to take advantage of the multi-cultural composition of Aruba in product development

7.1. Proposed Additional Facilities, Products, and Events

Below are described a variety of tourism facilities, products, and events. These, are presented by region as defined in GAC 2000:

1. **NOORD:** Arashi Beach, Druif/Urirama, Malmok, Noord Village, Hadicurari Beach, and Palm Beach.
2. **ORANJESTAD WEST:** Eagle Beach, Manchebo Beach, and Druif Beach.
3. **ORANJESTAD EAST:** Paardenbaai, Town Center, and Bucuti.
4. **SANTA CRUZ:** Santa Cruz Town, Arikok, and Boca Andicuri.
5. **SAVANETA:** Santo Largo Beach, and Savaneta Village.
6. **SAN NICOLAS NORTH**
7. **SAN NICOLAS SOUTH:** Boca Grandi, and San Nicolas Town.
8. **SEROE COLORADO:** Baby Beach, Rodgers Beach, and Colorado Point Bay.

The products and projects described below are intended to be illustrative of the products that are compatible with the overall goals of the tourism strategy. Each product or project will require some environmental, social, and economic evaluation to determine the stable location, eligibility for public support, and financial feasibility. They show the approach that has been taken to identify desirable products. In each case, the team has had discussions with members of the NTC, local cultural groups, prospective investors, tourists, and have visited potential project sites. Product names are working titles chosen for their descriptive function and ambience.

1. NOORD: Arashi Beach, Druif/Urirama, Malmok, Noord Village, Hadicurari Beach Palm Beach.

Project: ‘Caiquetios Antiguos’



Caiquetios Antiguos is a public art project consisting of four 20 foot + high stone/concrete statues of Aruba’s Indian ancestors. Pays homage to the Ciboney, Caiquetio and Jira Jara Arawaks who once inhabited the Island. This would be an important photographic opportunity for visitors to Aruba. Simple stone benches placed for viewer contemplation. Educational:

Placard describing Arubans’ South American Indian ancestors. As a tourist attraction, this will be a national monument of awe-inspiring proportions.

Location: Between Druif and Urirama on the north coast of the Island. Built upon the land below the stark rocky outcroppings, as if staring out to sea.

Project rationale: Public art project will employ the talent and imagination of Aruban artists; invitations should be offered to appropriate and qualified artists. Remind locals and visitors of Aruba’s New World origins.

Project: Natural Pools (false natural pools)



The natural pool between Daimari and Dos Playa is very difficult for the average tourist to reach. Those that make it, love it. Engage geologist/engineer to look at possible sites for pools along Arashi to California dunes that may be suitable for constructing false natural pools. There are a number of small, shallow, rocky bays which could have boulders placed in the sea to enclose bay. This will act as a break the waves and create protected ‘pools’. This would make them safe to wade in.

Location: Along the coastline from south of Cudarebe Point to Arashi beach.

Project rationale: To increase the natural resource of the coastline as a tourism product; to draw visitors to other parts of the Island; to create new areas for recreation.

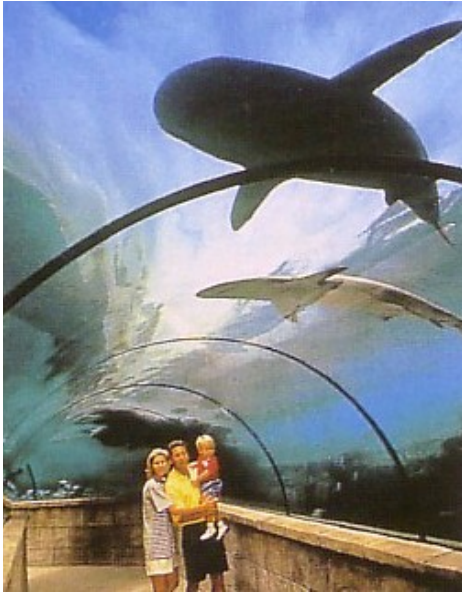
Project: Walking and exercise path connectors



At present, locals and visitors walk or jog along the land between the beach and the road along Lloyd Smith Blvd and Irausquin Blvd. There are some hard paths, which serve to connect hotels. However, for the sake of safety, convenience, and pleasure, connectors should be laid between them.

Location: Path connectors should be established from Malmok, all the way down to the Tamarijn Beach.

Project: Underwater Marine Park



Environmental scientists need to consider the location availability of this proposed underwater Marine Park. The park must offer a well designed and suitable living underwater environment. A large underwater enclosure would hold a variety of marine life (fish, mammals, live coral, etc.) that can live together. Large sea mammals should be released and replaced after a period of captivity. Visitors walk out along a wooden pier and then descend by staircase into a large underwater chamber room with glass windows. Could have a

‘20,000 leagues under the sea’ theme.

Location: Coastal shelf opposite the Bubali bird sanctuary. Locations would have to be surveyed for suitability, that is, deep enough, and with access for maintenance by marine biologists.

Project rationale: Marine Parks are popular in North America, and would be an attraction to tourists on Aruba too. The site will be compared to ‘Sea Worlds’ and ‘Marine Parks’ in Florida and elsewhere, which many US and other tourists will have visited. Thus, Aruba’s marine park must be large enough, and exciting enough (large marine mammals). This will create a ‘must see’ attraction, and draw large numbers of tourists (and revenues).

Project: The Ultra Hotel (***)**

This 'ultra' hotel will consist of individual units with individual spas, secluded, private garden/patio, pampered service, bistro, and one high-end restaurant, breakfast served ensuite. Examples: Half-Moon, Jamaica; Windjammer, St Lucia; Sandals Resorts. Open a new market: the wealthy, discerning tourist. Construction should be local. Can be built incrementally, and designed into existing landscape. We propose also that the new structure be of a low-rise exclusive cluster configuration in keeping with the new conceptual framework for tourism.

Location: Tierra del Sol, Malmokweg is suggested as most suitable for this hotel for two main reasons. The facility has considerable available space; and second, the existing development has already established the necessary infrastructure: utilities access, extensive landscaping, an 18-hole golf course, and other recreational facilities. The Palm Beach location beside the Marriott Hotel, previously under consideration, would have seriously interfered with the wind surfing activities crucial for the sustainment of the Boardwalk Hotel and the many small tourist apartments clustered along the northernmost part of L.G. Smith Boulevard. Already the Marriott complex has blocked the winds necessary for this sport, pushing tourists towards the dangerous reef areas. Moreover, Hadicurari Beach is already home to the well-established local Aruban fishing community (Fisherman's Huts). This area also provides public beach facilities, and an attractive window onto the sea. Alternatively, beachfront could be reclaimed between the Aruba Phoenix and Amsterdam Manor Beach Resort.

Project rationale: To provide high-end luxury 'trophy resort', above 5 stars. Enhances Aruba's image in the region, and encourages other up-market hotels to improve their product through competition. Attracts wealthy tourists with higher spending potential.

Project: Las Canchas Condos

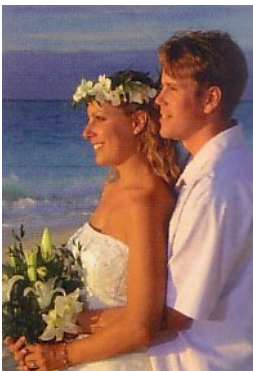


Las Canchas is a condominium complex designed for first time homeowners. Facilities would include a swimming pool, hot tubs, fitness center, tennis courts, and entertainment area for private parties, or condo events.

Location: Las Canchas, Malmok

Rationale: We believe there are excellent reasons for building condos in Aruba. They provide starter homes for new married couples and professional singles. With the current demand for homes, this would slow down the consumption of the increasingly scarce land.

Project: ‘The Romantic’ Hotel (***)**



The Romantic is a 5 star, small, 30 room hotel for couples and honeymooners, with an emphasis on privacy. This is a small, romantic resort with individual one-bedroom units. Each unit has a king-sized bed and two-person bathtub. A Wedding Chapel and reception room overlooks the beach. A store to rent wedding costumes. Waiter served, torch-lit moonlight dinners ‘lover’s tryst’ may be reserved on the beach. A large wing-like awning ‘dine beneath lovers wings’ will cover the dining area on the beach.

Location: A fill-in project along Palm Beach or Eagle Beach.

Project rationale: To diversify style of hotel accommodation. With an increasing number of couples getting married on the Island, a very small, private, exclusive and romantic hotel will be very popular. Many other islands are already taking advantage of this business and Aruba (which is known already as a honeymoon Island) should follow suit with wedding/honeymoon packages. For example, a Sandals ‘Wedding Moon’ package is free if a couple stays 5 nights or longer and includes: preparation of documentation, certified copies of marriage license, legal fees, ceremony Officiate, wedding announcement cards, champagne and hor d’oeuvres wedding reception, flower bouquet and boutonniere, elaborate Caribbean wedding cake, wedding photograph, honeymoon candlelight dinner for bride and groom, just married tee shirts. Optional extras include: professional video of ceremony, make-up, hair styling and manicures/pedicures, full body massage, helicopter/private car airport transfers, champagne cruise, special floral decorations, cake/knife server set and toasting goblets.

Project: Water Bungee Jumping



To diversify water sports, add bungee jumping as a new water sports novelty. This takes place over water. A wooden pier will be constructed out into the bay where there is a safe depth of water. A wooden tower will be built at the end of the pier, with steps up to a platform.

Location: Along Palm Beach, but only where there is sufficient water depth for this activity.

Project rationale: To diversify range of water sport activities, and to increase small business opportunists for Aruban entrepreneurs.

Project: Hadicurari Campground



This campground for Arubans (two more are suggested later) will provide better and more sanitary facilities for campers. This should be a managed year-round campground with facilities on Hadicurari Beach. Facilities will include water, electric plug points, central building with public showers, kitchen with cooking facilities, common dining area with long wooden tables and benches, and camp provision shop. Outside area with above ground barbecues. Provide for garbage pick-up. Camp can expand facilities according to customer demand -- e.g. games room, sun shelters with table and 2 benches. Make available separate R.V. and tent sites. Build two air-cooled cabins to test demand (one room, mosquito-proofed with bunks, shelves, hooks.) No dogs, or noise disturbance after 12pm. Advance booking, per night and weekly charge.

Project: Hadicurari Beach Park



A beach park area should be developed next to the Marriott Hotel. Cabanas for sun shade, Wilhelmina Park-style landscaping, beach showers and public restroom, small non-commercial boat ramps for the weekend sailboater, and inset parking next to Sasaki Hwy.

Location: Hadicurari Beach, adjacent to Marriott Hotel

Project rationale: Beach space for local use is diminishing. A beach park area will benefit not

only resident Arubans, but also tourists who enjoy mixing with locals.

Project: ‘Pueblo Living Village’



The Pueblo Living Village is a year round product. It incorporates and displays native culture, traditional way of life, products, and expressions through the arts. It also embodies history, has depth and richness through multiple facilities and entertainments. It also involves local resident employment and business

participation, and arts and crafts technical training. For tourists, this will be a significant ‘must see’ attraction. The various activities will generate revenue for local participants. The local ambience and ‘authenticity’ are important. It likely to be more successful if constituted on many different levels -- an enriched experience where traditional folkways

are displayed: through lifestyle, buildings -- some based on old cunucu houses with painted motifs. Local artists are provided with low rent studio space.

Location: Palm Beach Road. The project is expandable allowing other activities and facilities to be added to the perimeter of the project. For this reason, adequate space must be acquired initially. We would also recommend that this project be located close to residential and existing business areas where locals are likely to utilize the central market place, and other facilities. These considerations help determine longevity, and authenticity (as an embedded community). An ideal space for this facility would be in village Noord, along the southeast side of Palm Beach Road.

Project rationale: In addition to the employment and economic issues stated above, this project would serve local interests, and create a new facility for Noord residents. Offers vocational education for talented arts and crafts students and will develop a body of native designs. The village will bring hosts and guests together, increases tourist on-site spending, and display, promote, and fortify aspects of Aruban culture.

Pueblo Living Village -- Multiple product description:



- i. The **‘Pueblo Central Market Place’** is a colorful, open-air, but covered market in the center of the village. The majority of products and produce offered for sale in the market should be made in Aruba. A limited amount of imported products from South and Central America may also be sold in the market by 1 or 2 licensed vendors -- as long as they are not stamped ‘Aruba’. Their provenance must be displayed.



ii. **‘Theater Arubano’**, set on perimeter of village, will perform two evenings a week (tickets sold for seating). The play will be **‘Island of Gold’** (1 hour), and will be an account of the invasion of Aruba by the Spanish. Will use spectacular Indian costumes and conquistadors, dance, mime, music (i.e. multi-lingual) -- very theatrical, rich ambience, light by flaming torches and colored lights. Very simple wooden semi circle seating.

Refreshments served before performance. On other nights, space could be used by Noord residents for their own events -- no charge for tourists who wander in.



iii. The **‘Wayaca Print Shop’**: produces simple pareos, tee shirts, and many other products with South American Indian motifs. Perhaps Artesania Aruba could move here, or have a small studio here.



iv. **‘Arashi Crafts’** produces a variety of well-designed crafts: leather work, silver work, tatting, basket weaving, etc.



v. **‘San Pueblo Pottery’** is a small workshop producing pan-South American Indian designs for sale in market place, and replicas of pieces from archaeological museum.

N.B. High school students should be recruited or encouraged to apply for design workshop to feed pottery, print, and craftwork shops. Acceptance to program based on strength of portfolio. Design quality and cultural appropriateness monitored (native themes and local symbols: nature, Indian pictographs, etc). One year training apprenticeships in the visual arts and crafts, under qualified and Aruba culture-literate teachers.

vi. The **‘Public Plaza’** provides a shades area for locals and visitors to sit and pass the time. This will have a stone tiled floor, with comfortable benches. Large trees give shade, and shrubs and flowers in pots will lend attractive landscape.

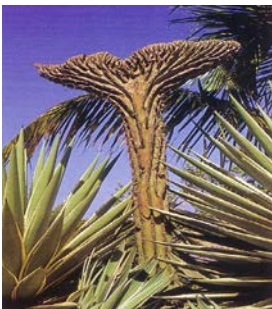


vii. The **‘Aloe Café’** is a refreshqueria serves local dishes, local ice cream, local beer, softs, pastechi, loempia, empanada, fried plantains, sopi cabrito, galina , pisca, and carni served with pan bati, or funchi. Cadushi (cactus) soup, qesadilo, local drinks like tamarind and coconut.. Local cookbooks may also be purchased here. Wherever appropriate, products are packaged for sale with traditional meanings/uses. ‘Native’ music playing gently in the background. Landscape with wooden Aloe draining troughs. Here provide leaflets advertizing the Aruba Aloe factory tour at Hato, and the Bonbini Folkloric night at Fort Zoutman.



viii. The '**Olde Photo Studio**' displays photographs of old Aruba. Here visitors can dress up in traditional 19th century Aruban costume -- 'Going to chapel', 'Aloe farmer', 'Arawak cacique' for a black and white or sepia 'nostalgia' souvenir photo.

ix. A small '**Arawak Botica**' sells 'magical waters', local perfumes, candles, and incense, Aloe products – a sort of aroma therapy shop with an Arawak Indian ambience.



x. The '**Cadushi Garden**' displays a variety of exotic cacti: prickly pear cacti, tuna, cadushi, breba, cadushi di pushi, bushi, etc. Also grows plants with medicinal purposes: aloe, yerba stinki, carpata, shoshoro, seida, flor di sanger, basora pretu, walishali, etc.



xi. **Calabas Mini Rancho** is a small petting farm, situated on outer rim of village. It houses chickens, sheep, goats and donkeys. Children may ride on donkeys.

xii. **Children's Playground** is set on the periphery of the village next to the mini rancho. It should use relatively old-fashioned rides -- at least those that were around in the 19th century. The grandparent's generation should be consulted on the out door rides and amusements around during their childhood.

Products that should be developed for sale in the Botica, and Central Market (good quality, made in Aruba, affordable) include the following:

- Perfume ‘Arawak perfume’ and healing balms (Aruba Aloe Balm. N.V.)
- Candles ‘Indian spice candles’ (Aruba Candle Company N.V.)
- Exotic Aruban Hot Sauces (Kelant Rose N.V.)
- Vacation clothing line (sarongs, pajamas, beach wraps, t-shirts, etc.)
- Jewelry boxes, Aruban dolls, shells, chimes from driftwood and shells
- Aruban straw hats (turn of the century style)
- Tablecloths and napkins, etc.

Project: J. E. Irausquin Blvd Renovation and Development

The landward side of the Palm Beach hotel strip is a mix of restaurants, car parks, and sport facilities. The type and quality of these establishments is appropriate for this location, but the car parks could be pushed back behind to provide road frontage for new tourism products. Inset plazas with attractive landscaping would be appropriate here. This stretch of road could consciously be developed into a ‘tourist town main street’ with sidewalks and benches on both sides of the street. Consideration should be given also to the development of a particular style for this mature location.

Project: Bubali Wildlife Park



The land and resources of the lagoon is a favorable environment for plant and wildlife habitat. The Sasaki Plan (pp33-42), called for a managed park at Bubali with a ‘**wildlife sanctuary**’ and a ‘**botanical garden**’ (see plan for feasibility analysis suggestions, detailed

management, and land terracing). In order to enhance the park facility, we would add a **‘Birds of the Caribbean Aviary’**; incorporate the existing **‘Butterfly Farm’**, and build a **‘Visitor Center’** with informational literature, rented binoculars, and refreshments. A system of ‘Above ground walkways, lookout points and roofed bird watching towers’ should be developed away from sensitive areas. The whole park area should be defined and protected by a surrounding traditional stone or cactus wall, with an out-front parking area. Storage facilities should be provided for park maintenance materials and vehicles.

Project rationale: This Park would provide a complementary attraction to the tourism corridor. At present, the bird sanctuary is not being well utilized as a ‘must see’ facility. By developing the reserve into a more complex facility with different attractions, the site will attract more visitors. This site is not a revenue-producing attraction, but could raise donations for its upkeep.

Project: The ‘Mediterranean’ (***)**



This 50 room, Greco-Roman style high-end small hotel will sell exclusiveness, privacy, and luxury. Luxuriously decorated 1 and 2 bedroom suites, with sitting room, and comprehensive entertainment center. Greco/Roman style bathrooms with separate shower and double tub, his and her basins. Private gardens with Greek/Roman statues, fountains, fish-filled ponds, sun-dials, and tiled dining areas. Communal outdoor Roman bath. Health Spa where guests will be pampered with mud baths and full body massage. Beauty salon, fitness room. Fine dining

with Mediterranean food and fine wines and liqueurs. Private tour bus with refreshments, cocktails, and multi-lingual well-trained tour guide. Private yacht may be reserved with captain for cruising or deep-sea fishing.

Location: This is an in-fill hotel for the tourism corridor, Palm Beach or Eagle Beach. Also could be located on Tierra del Sol, in Seroe Colorado, or on south beaches.

Rationale: To diversify hotel styles and attract different market segments.

Project: 'Global Village Resort' (***)**



This is unique high-end boutique hotel with individual units. Each unit embodies a cultural theme in its décor: the Balinese suite, the Parisian, the Tuscany suite, the Pompeii, the Woodstock (1960s), the Maharaja, the Hawaiian, the Geisha suite, the Hemmingway, the Graceland suite, etc.

Location: This is an in-fill hotel for the tourism corridor, Palm Beach or Eagle Beach. Also could be located on Tierra del Sol, in Seroe Colorado, or on south beaches.

Rationale: To diversify hotel styles and attract different market segments.

2. ORANJESTAD WEST: Eagle Beach, Manchebo Beach, Druif Beach

Project: ‘Wet and Wild Water Park’



A classic water park for all the family - locals and tourists. Year round product. Speed water slides of varying heights for young and old, water tubes of different heights and lengths, a wave pool, and other thrill rides. Children’s wading pool with a variety of water rides, slides, and other water play activities. Well managed, with lifeguards. Suggested entrance fee \$20 adult, \$12 for children under twelve years of age.

Location: Landward side of Eagle Beach, behind Paradise Villas, adjacent to La Cabana on Lloyd Smith Boulevard.

Project rationale: To add a year round product, diversify entertainment offerings; create a family-oriented activity, a place to bring tourists and locals together. This will also increase tourist spending outside hotels.

Project: Beach Bars



Beach Bars are very popular with tourists. These also create a relaxed and casual ambience for Aruba’s beaches. Should allow small beach bars (with size limitation) to be established along the back of the beaches. Designs must blend into the beach landscape: wooden frames, palm leaf roofing, and

board walk floors. The bars should be placed between, rather than in front of the hotels. These are not restaurants and will only sell drinks (all kinds) and snacks. The size of these bars should be limited to 4 x 4 meters.

Location: Between hotels along Palm Beach, Eagle Beach and Manchebo Beach.

Project rationale: These beach bars will provide small business opportunities for locals.

Project: Hotel Baseball League



Weekly evening Aruba Hotel Base Ball league teams. (high-rise, low-rise, timeshare) e.g. ‘**el Santaneros**’ v ‘**Aruba Iguanas**’.

Build a diamond, with refreshment stands (hot dogs, loempia, croekets, pastechi, empanada, soft drinks, beer, etc.) Sell baseball hats and tee shirts for both leagues.

Bring out the marching brassband at beginning and middle of game with Aruban

cheerleaders. Show the Island’s sportsmanship, Asambeho music, and beautiful girls.

Hold a competition to design Aruba’s baseball mascot. Aruba’s national sport is **baseball**. Aruba has contributed players to the baseball teams in the States. Show tourists baseball -- Aruba-style. Adult \$10, under twelve years, \$7 tickets.

Location: Should be established inland along tourism corridor.

Project rationale: To diversify tourism entertainments. This also offers the opportunity for small local business, and sports activity for hotel employees.

Project: Eagle Beach Campground

This campground for Arubans (two more are suggested later) will provide better and more sanitary facilities for campers. This should be a managed year-round campground with facilities under the Sea Grape trees on Eagle Beach. Facilities will include water, electric plug points, central building with public showers, kitchen with cooking facilities, common dining area with long wooden tables and benches, and camp provision shop. Outside area with above ground barbecues. Provide for garbage pick-up. Camp can expand facilities according to customer demand -- e.g. games room, sun shelters with table and 2 benches. Make available separate R.V. and tent sites. Build two air-cooled cabins to test demand (one room, mosquito-proofed with bunks, shelves, hooks.) No dogs, or noise disturbance after 12pm. Advance booking, per night and weekly charge.

Project: Eagle Beach Condominiums



Condominium complexes are a rational use of scarce land resource in Aruba. They are suitable for first time homeowners and professional singles. Eagle Beach Condos should be no higher than 3 to 4 stories, and well landscaped. Facilities would include a gardener, a swimming pool with maintenance staff, fitness room, and tennis courts and games room. Should be large central patio for private parties or open condo events.

Location: Palm Beach and Eagle/Paardenbai

Project rationale: We believe there are excellent reasons for building condos in Aruba.

They provide starter homes for new married couples and professional singles. With the current demand for homes, this would rationalize the consumption of the increasingly scarce land.

Project: National Museum of History, Culture and Archaeology



The Dutch might fund this project. Should use Dutch-Aruban architectural motifs. Existing small institutions that are currently scattered around should be housed here: Archaeological Museum (present small building only displays 1/5th of its collection), National Historic Archives, Museo Historico Arubano, Museo Numismatico.

Complex will consist of climate controlled storage for fragile collection items, exhibition rooms for historical displays (costumes, technology, cultural artifacts, natural landscape, flora and fauna photography, old musical instruments, etc.), equipped science laboratory, museum staff offices, study rooms for visiting scholars, library, museum restaurant, museum coffee shop (the latter to serve museum and area business employees, and tourists). Large space for visiting school programs, workshops, etc. Museum shop (books, postcards, artifacts, souvenirs).

Location: At the entrance of the tourism corridor on L. G. Smith Blvd. Must have sufficient parking to accommodate, employee and visitor parking, large tour coaches, and school buses.

Project Rationale: Aruba does not have an imposing large museum complex. Provides national monument for national pride. Source of continuing education for local

population, outreach programs for schools. Facility for visiting scholars of Aruba. Popular ‘must see’ attraction for our tourist guests. Employment and business opportunities for Arubans. Revenue sources: entrance fee to museum proper, additional revenues from museum shop, coffee shop, and museum restaurant.

Project: ‘Delft Town Plaza’



Modeled on the Dutch town of Delft, this compact circular shopping plaza will sell Dutch products: cheese, Dutch hats, clogs, windmills, tulip bulbs, delft pottery, etc. Within the central plaza is a meandering canal with small bridges to traverse the water and watch the fish. Dutch snacks café (Der Dissel might have a small branch here), with indoor, and shaded outdoor seating. The Dutch Hurdy Gurdy should be placed in the center of the plaza.

Location: Behind the Old Dutch Windmill, Palm Beach, or along the Madiki commercial strip.

Project rationale: To diversify the shopping experience. It is likely that Dutch resident entrepreneurs would involve themselves in this project. For the American tourists, this would be of great interest since the Dutch also settled America, founding New Amsterdam that was to become New York.

Project: 'Royal Dutch Town Hotel' (**)**



The Royal Dutch Hotel will provide a high-end town hotel for Oranjestad West. Important to maintain the theme of Oranjestad as 'Dutch Colonial' in the architectural style of this building. Because of its seafront location should be kept to a height of three stories.

Location: Beach front, on site of container/free zone area.

Rationale: To diversify style of hotel accommodations.

Project: Wharfside Market



Attach wooden roof fascia with 'cunucu peak' and paint with Aruban house motifs. Reserve two stalls for 'made in Aruba' products.

Location: The wharf, Lloyd Smith Blvd.

Project rationale: This wharf side market has been popular with tourism for many decades. Today, the stalls sell predominantly imported goods - many from Haiti. Since the market is a central, and well patronized facility, it should reflect indigenous material culture. This enhancement project is designed to import 'an Aruban flavor' into the market by painting Aruban house symbols on the roof facings, and reserving two stalls (left and right) for the sale of 'made in Aruba' products.

Project: Demolish Buildings

Some buildings are unsightly or in disrepair and should be demolished where warranted. For example, the **Public Works Department** should be housed off the tourist strip, and the building demolished together with the adjacent **slaughter house** buildings. Push back **building line** here to create sense of space and plant grass, shrubs on two fronts of new corner development.

The **free zone and container haven** should be moved (and are already slated for removal). This valuable sea front land is to be used for low-rise hotel development (Royal Dutch Town Hotel) but leaving open views to the sea and access to the beachfront. The water/ship **fuel tanks** could be painted with blue sky and white clouds to blend in with skyline. The Coastal **gas station** should be moved further north along Sasaki Hwy. This is an eyesore and causes a traffic bottleneck, could make this attractive with landscaping.

Project rationale: Lloyd Smith Blvd. is a prime tourism development location and needs to be used rationally.

Project: Reface Commercial Strip



The commercial strip along from the bus terminal to Sun Plaza is an unattractive hodge-podge of vernacular buildings. We suggest that these buildings are refaced in blocks, each adopting a particular Aruban style. The fronts should be landscaped and planted. The recently acquired large vacant lot in front of the tax building should also be included in this effort to give character to Oranjestad. Any development here should adhere to the same (Dutch Aruban) style selected for this area.

Location: Lloyd Smith Blvd. From Bus Terminal to the end of Madiki.

Project rationale: The areas through which tourists travel in Oranjestad should be given some style continuity - especially along the entrance to the tourism corridor.

3. ORANJESTAD EAST: Paardenbaai, Town Center, Bucuti.

Project: Aruba Carnival Museum and Theater



The Aruba Carnival Museum and Theater is a large museum that houses the historical record of the Aruba carnival. It has archives, and exhibition spaces where costumes are displayed. Suggest that **SAC** (Stitching Arubaanse Carnaval) have its offices here. The carnival ambience is evoked through piped road jam and calypso music. Looping videos are shown of old and recent carnivals. Museum will include the **Café Carnavalista**, and the **Museum Shop**. One possible would be for visitors to have their photograph taken as their stand inside one of three costume road pieces. Periodic events will be held, including a weekly **Carnival Costume and Dinner Show**.

An 'Artist in residence' program could offer a one year stipend and studio space for talented costume designer to work in museum. Artist would meet with museum visitors who could view work in progress. Museum should be accessible for school field trips to learn about the history and artistry of their national carnival. Products with a carnival theme should be developed for sale in museum shop: videos, cd's, books, photographs,

postcards, posters, carnival feathered head pieces, carnival queen crowns, Calypso King crowns, carnival tee-shirts, small piano steel pans, Carnival Queen dolls, Carnival Prince, Prince dolls, Momo dolls, sailor boy hats, etc.

The Carnival Museum could also provide 24-hour **costume rental** in order that visitors to the island may participate in both the winter pre-Lenten Carnival, and the San Nicolas 'All Caribbean' Summer Carnival (SAC to waive entrance fee). This would enable costume designers to rent out their costumes for a few years to defray the cost of production. Costumes could be booked in advance on line, or through their hotels.

Location: Between Vondellaan and Stadionweg. In Cas Cultura Building, if that becomes available.

Project rationale: This festival is Aruba's most significant annual event for tourism and should be maximized as much as possible to increase revenues and employment.

Project: Historic Oranjestad Tour



Locate cluster of colonial buildings for renovation. Clean up surrounding area -- preferable creating small plaza in front as a gathering place. From photographs and written sources, renovate exterior and interior of building. Then refurnish and equip the interior rooms appropriate to the period. Multi-lingual and well-informed tour guide, wearing historic costume, gives historic account of life and work in these buildings.

Location: All Oranjestad, especially Wilhelminastraat and Rancho.

Project rationale: This project is to increase tourist presence and activity deeper into the heart of Oranjestad, and increase the amount of cultural tourism the Island can offer.

These buildings should also be accessible to school field trips for student to learn about life in the 8th and 19th centuries in Oranjestad.

Project: Reface Oranjestad Buildings



owners of listed historic homes.

The refacing of commercial buildings in Oranjestad has significantly improved the built environment. This practice of refacing building with Dutch Aruban architectural design features should be expanded wherever possible on streets frequented by tourists. Improvement grants to private

Location: Lloyd Smith Blvd., Paardenbaistraat, Weststraat (north/south), Havenstraat, Zoutmanstraat, Oranjestraat, Wilhelminastraat, Klipstraat, Caya Betico Croes, Steenweg, Nieuwstraat, and Emmanstraat (lower).

Project rationale: To encourage the tourists to wander around the ‘interesting’ streets of Oranjestad, frequenting the restaurants, bars, and shops.

Project: Main Street Shopping Plaza



An open plaza/walking promenade feel will only come with the long asked for complete closure of Caya Betico Croes to traffic. Extend tile or cobble paving across width of street. Reface buildings with Dutch architectural features. More trees and planters could be placed in plaza. To enhance the ambience of this Dutch-like town street, tables and chairs could be placed outside, under shades, in front of refreshquerias and coffee bars. Licensed street vendors also make a place colorful..

Project rationale: The east end of Main Street is not attracting enough tourists. This is due in part to its unattractiveness in comparison to the west end of the street with its tiled and shaded plaza, Dutch-style facades, and open-air snack bars.

Project: Airport Route Beautification

Lloyd Smith Blvd from Queen Beatrix Airport to circle at Vondellaan. This is the visitor’s first experience of the Aruban physical environment. The poorly maintained verges, and the large billboards make this an unattractive drive. Remove billboards, clean up and plant verges with trees.

4. SANTA CRUZ: Santa Cruz, Arikok, Boca Andicuri

Project: ‘Old Aruba Museum Village’



The Santa Cruz area should region could be presented as the ‘folkloric heart’ of Aruba. A major project is the construction of a year-round show village - ‘**Old Aruba Museum Village**’. This attraction would depict 19th century country life, with mud and wattle houses, kitchen gardens, tankis, cactus fences and stonewalls, small aloe field and aloe processing technologies, penned animals, and goats, pigs, sheep, and chickens running around. Visitors can step inside the houses to see how families used to live.

One finished ‘show’ house (cas di torto) built in the old way (cactus stick, grass, and mud walls, with thatched roofs) with a pounded earth floor and lime washed walls. Some parts of the construction process should be revealed through protective glass viewing windows. Rooms should be furnished according to the style of the time, and the kitchens and other workplaces fully equipped with the period-appropriate tools and utensils. The village will have informational guides, and a public restroom. Historians should be involved in the proper re-creation of this historic village.



Location: Santa Cruz, location to be determined.

Project Rationale: This project displays the material culture and recent history of Aruba. Would be of educational interest for tourists and residents alike. Displays a disappearing way of life to a younger generation of Arubans. Should be accessible to educational school fieldtrips.

Project: Folkloric Dance Night



Tourists often express the desire to learn the local dances. This could be fulfilled at a weekly folkloric dance night where Aruban dancers (male and female) teach the visitors to dance ‘Aruban-style’. This activity could also be accompanied with Aruban cuisine. A local restaurant might like to host such an evening.

Location: Santa Cruz

Project rationale: To diversify cultural entertainments, display Aruban cultural life, and to create face-to-face contact with residents.

Project: Arufest



Folkloric Aruban Festival (1 week around 24th June) a week long annual festival of folkloric celebrations, ‘**Arufest**’, including ‘deramento di gai’, and ‘dande’, and popular regional dances like the waltz, tumba, and merengue. Important not to mix program with contemporary music and the carnival because these are on public display during high season, whereas tourists seldom see ‘deramento di gai’ and ‘dande’ in performance (the dances are, however, performed at the excellent weekly Bonbini Night at Fort Zoutman.

Deramento di gai on June 24th at the Centro Bario Brazil.

Location: Santa Cruz, location to be determined.

Project rationale: To display native Aruban culture and folklore. To diversify cultural tourism products and events.

Project: Santa Cruz Weekend Arts and Craft Market



This open central market serves tourists and residents on Saturdays and Sundays. Shaded market stalls offer a wide variety of merchandize: sell local arts and crafts, antiques, second-hand items, houseplants, music CD exchange center, local artist exhibits, etc.

Location: In Santa Cruz town, along main road to catch traveling tourists.

Project rationale: Regional diversification of tourism. Increase tourist spending; create business opportunities for local vendors and artisans.

Project: Arikok Visitor Center

Arikok Park requires an enhanced Visitor Center. Here the visitor would be able to obtain information: map and walking trail guides, plant and animal wildlife spotting workbook, restroom facilities, refreshments, bicycle rental, and so on.

Project: ‘Wild Coast Rides’



Wild Coast Rides refers to the location of ‘all terrain’ vehicles for rent and use on the rugged north coast of Aruba. This project takes advantage of the lure of the rough terrain for mountain bikers and ATVers, in particular. Rough rider trails are marked through non-sensitive areas as defined by current environmentalist guidelines. A trailhead for these off-road vehicles is located at the natural Bridge. Marked trails for these vehicles are to be established from the Bushiribana Ruins an Arikok Park up to the ridgeline. Trails should be maintained and patrolled on a regular bases. The dunes at Boca Druif, Boca Daimari, and Wariruri, etc, should be physically protected from vehicular intrusion by cunucu stone walls or cactus fences

Location: The Natural Bridge restaurant and bar at Boca Andicuri.

Project rationale: ‘X-treme Tours’ products are very popular with the younger cohort of tourists. For example, already in place are very popular jeep tours which take tourists ‘on safari’ around the Wild Coast. Goal here is to encourage small-scale Aruban business, while limiting the environmental damage and risks to visitors and locals that result from uncontrolled used. It is possible also that similar limitation should be placed on horseback riding and mountain biking with the designation of shared-use trails.

5. SAVANETA: Santo Largo Beach, and sea front housing and streets

Project: ‘Fisherman’s Wharf Hotel’ (**)**



A small boutique hotel utilizing native workers at all levels. Create beach front complex around existing local fishing activities. Build small fishing boat marina to anchor boats, and provide storage and refrigeration facilities for fishermen. Long board walk out into sea with bar/café at end where fishermen can mingle with tourists. Small boutique hotel complex with casual ‘beach

comber’ ambience. Accommodate couples, wind surfers, and other water sporters. 20 self-catering units (can be expanded if popular).

Each unit self-enclosed, use three different unit designs to give village feel. Aruban style thatch roof, bamboo dividers, landscaped for privacy, and enclosed patio. System of board walks between units and main facilities. There should be a swimming pool, central laundry, and small grocery/souvenir shop. Open bar/fish restaurant located on beachfront.

You can watch the fishermen bring in their catch. Decorative theme: ‘fishing village’, with nets, cork, shells, heavy rope, boardwalks, anchors, old fishing boats. This stretch of beach already boasts two of the best fish restaurants on Aruba: Brisas del Mar, and the Flying Fishbone.

Location: Possible location on the north side of Brisas del mar towards Santo Largo Beach.

Project rationale: To create Savaneta as a viable tourism site in Aruba. Also to diversify hotel accommodations, to appeal to a different tourist segment.

Project: Savaneta Beach and ‘Old Seafront Village’ Enhancement



There is an existing village feel about this seafront area of Savaneta. There are many old and well-maintained traditional cunucu houses. There are fishing activities between Santo Largo and Savaneta Beach and Picnic grounds. There is a small fishing marina and a rustic Fisherman’s Bar. The streets are pleasant to walk around. Could designate this a ‘historic area’ since this was the site of the first colonial settlement and first Aruban capital. ‘Old Seafront Village’ should be enhanced by cleaning, landscaping and beautification (old cunucus painted in yellow, pink and blue pastels if owners permit). A ‘village walk’ could be signed; perhaps some small bars and cafes will spring up in response to the presence of tourists.

Location: Old Savaneta seafront along the road down from Lloyd Smith Blvd, to the seafront, past Brisas del Mar, to the fisherman’s bar.

Project rationale: To create a new tourist site on Aruba, one which be of interest to culture-oriented visitors who are attracted to, and will be empathetic with, native cultural life.

6. SAN NICOLAS NORTH

Project: Ring Road

A 2-kilometer extension to the existing ring road north of San Nicolas should be built to take tourists around San Nicolas to Boca Grandi and the southern Colorado Point Beaches. This is already under discussion and would extend the existing route that starts inland from Lloyd Smith Blvd. At Cura Cabai, through Brazil to Ceru Blanco, north towards Ceru Cadushi but crossing over to Boca Grandi just north of the Aruba golf club by a two kilometer connector road. The views above San Nicolas looking out over the north coast are spectacular, and dropping down towards the southern beaches a welcome sight for arriving tourists. The streets of San Nicolas are too small and too slow for large tour buses.

7. SAN NICOLAS SOUTH : Colorado Point beaches, Boca Grandi

Project : San Nicolas to host three festivals: ‘Battle of the Bands’, ‘San Nicolas Soca Festival’, and the ‘All Caribbean Music Festival’



It is proposed that San Nicolas host at least three major music festivals at different time during the year. ‘The Battle of the Bands’ should be a competition between the major musical bands on the Island. ‘King of the Bands’ is the title given to the winning band. Judging based on best original composition, technical ability of musicians, and audience appeal, etc.

The Soca Festival would be held in July to attract summer tourists to the town. The All Caribbean Music Festival is designed to attract a wider community of Aruba’s musicians, and to represent the music from around the Caribbean, e.g. reggae, zouk, bachata, chutney, salsa, calypso, etc. The requirement for professional organization and facilities noted above holds for these latter festivals. The San Nicolas music community to consider and amend, or add to these ideas.

Location: Joe Laviest Sportpark. This sport park needs to be considerably upgraded for a better entertainment experience for residents and tourists, or another venue should be located. A half-covered arena with separate ticketed seating, standing only, and dancing floor areas would be preferable to the present sport park arrangements.

Project rationale: To reinforce the notion that San Nicolas is the musical heartland of Aruba, by hosting at least three major music festivals during the year that are of sufficient professional standards in terms of music, and organization, and presented in a manner that would attract tourists to attend.

Project: San Nicolas ‘All Caribbean Carnival’



Some other Caribbean Islands hold a summer ‘Cropover Carnival’. This festival originated with the harvest season for slaves. Today, considerable tourism revenue comes from this event at a time of year that is considered the low season for the Caribbean. Since Aruba did not have significant plantations, this kind of carnival would be inappropriate. However, along with the Trinidadian workers, other Caribbean immigrants participated in the early days of the carnival. San Nicolas should

develop an ‘**All Caribbean Carnival**’ representing the carnival traditions from the other Caribbean Islanders that settled on Aruba. Among others, these Islands include British Guyana, Jamaica, Barbados, Antigua, St Kitts, St Vincent, Grenada, and the Netherlands Antilles. (Some of these developed carnivals recently). This ‘All Caribbean’ carnival would represent San Nicolas as a distinct community, and be a source of pride and revenue for the district.

Location: San Nicolas streets and Sport Park on Pastoor Hendrikstraat

Project rationale: Very important to hold a summer carnival in August (month with highest number of summer tourists). Increase sense of community. Enhance San Nicolas further as Caribbean town.

Project: Bus Station / Taxi Stand / Tourist Shuttle



Part of Plan-D2. The San Nicolas Bus Station has been asked for by the town residents. location specified in Plan-D2. A central taxi service should also be placed here. When the hotels are built, there will be a need for a tourist shuttle bus that travels between Boca Grandi, Seroe Colorado, and San

Nicolas. The bus should be painted with colorful designs.

Project: San Nicolas Central Market



A busy covered market always attracts tourists. This central market may stimulate boutique and café development close by. Should serve as a central market for local residents, and should expand to include any other appropriate vendors – antiques, second-hand items, houseplants, music CD exchange center, local artist exhibits, etc. Local businesses may

choose to set up a stand on Saturday here to sell (and advertise) their major locations.

Location: San Nicolas town center - specified in Plan-D2

Project rationale: To increase tourist spending, and provide business opportunities for vendors, and artisans. Diversify products in San Nicolas.

Project: San Nicolas Town Center Shopping Mall and Multi-Screen Cinema

The San Nicolas community has called for a good quality shopping mall in the town -- location specified in Plan-D2. This shopping facility would serve both San Nicolas residents, and later, Seroe Colorado residents and Colorado Point hotels. Also planned at this location is a multi-screen cinema.

Project: Water Tower Refinery Museum and other Historic Buildings



This historic building should be listed for preservation. There is a local initiative to utilize the tower for an industrial or refinery museum; this would be an appropriate use of this building. San Nicolas has been an industrial town since the 1930s, and the original ‘village’ has retained its 1950s Caribbean flavor. The buildings (including those made of wood) should be preserved through historic listing and refurbishment grants. They should also be painted in bright ‘Caribbean colors’.

Location: Bernhard Street

Project rationale: To renovate the Water Tower and other historic buildings. To diversify tourism products in San Nicolas. An historic archive, and educational museum site for San Nicolas.

Project: San Nicolas ‘Music Quarter’



San Nicolas represents itself as the ‘musical heart of Aruba’. A Bourbon Street-style development (a popular tourist area in New Orleans) integrates adjoining streets for ‘must see’ entertainment site. Two or three adjoining streets should form a distinct ‘Music Quarter’. Different bar/cafes should be associated with different types of music, e.g. The ‘Black Cat’ and the ‘Blue Note’ are strictly jazz bars.

‘Rasta Talk’ and the ‘Dreads Bar’ present reggae music; the ‘Soul Juice’ offers rhythm and blues, ‘Latin Rhythms’ for Latin music, etc. Tourists will come for the music, and eat, drink, and dance. There is a need for better street lighting to enhance the sense of safety. Also, friendly police should patrol the streets in plain sight.

Location: Should use Charlie’s Bar on Zeppenfeldt Street as the anchor establishment, then develop four street blocks: Rodgers, Franz Hals, and G. Flincks between Jan Steen and Zeppenfeldt. This should create a distinct physical boundary to the Bourbon Street district. (These streets are chosen only to simulate the size and region of the proposed district; the area needs to be surveyed for suitable streets.)

Project rationale: Makes use San Nicolas’s multi-cultural musical talent. Creates nighttime entertainments. Diversifies tourism product, is built around existing bar activity and employs musicians.

Project: 'Waves Beach Resort' (**)**



Waves Beach resort is a 100 room hotel at the four star level for the San Nicolas area.

Location: Colorado point beaches, south of Boca Grandi. Boca Grandi is a long, wide sandy beach along a crescent-shaped bay, protected by a reef. The winds are extremely strong, and there are

rip tides, which makes it dangerous for swimming. The bay is very popular with windsurfers, snorkellers, and scuba divers. Although there is some interest in developing a resort project here, because of the strong winds and salt spray, it is likely that a hotel would be located further south towards Punta Besora. Although this area may be designated as a protected area under the new zoning plan it should be noted that this area was previously developed under Lago with hardened roads and some infrastructure. These could be repaired.

Project rationale: After the (now) Marriott Hotel was built, the winds off Palm Beach have been significantly reduced. This has affected the wind surfing activities. Some surfers now frequent the long beach at Boca Grandi to find stronger winds. This is one of 4 hotels recommended for the San Nicolas area. The Waves Beach Resort will attract hard-core wind sporters, and those who prefer a less commercialized, but high quality, remote setting.

Project: 'Blue Surf Resort' (**)**



The Blue Surf Resort is a 100 room, 4 star hotel resort. Two hotels at this location will offer a choice of price, facilities and ambience.

Location: Boca Grandi south. The location restrictions given for the Waves Beach Resort would apply also to this second hotel.

Project rationale: This hotel would be located close to the Waves Beach Resort, but differ in terms of style and ambience.

Project: Wind and Waves Sports Center



San Nicolas residents have requested a 'laid back and peaceful' hotel development, with no motorized water sports. The Center will serve tourists from the Waves Beach Resort, the Blue Surf Resort, and the Blue Lagoon Hotel on Baby Beach.

Location: Centrally located between the Waves Beach Resort, and the Blue Surf Resort.

Project rationale: Business opportunity for local entrepreneur.

Project: San Nicolas Golf Club



Upgrade old Aruba Golf Club at Sabana Serbette to a grass 9-hole course (now 11 hole). Provide electricity, water and treated sewage.

Project rationale: To provide this recreational sport facility to the communities of San Nicolas, Seroe Colorado, Savaneta, and Pos Chiquito.

SEROE COLORADO: Baby Beach, Rodgers Beach, Colorado Point Bay

*Note: Need to extend San Nicolas bus route to service Baby Beach, Rodgers Beach, and Seroe Colorado residential.

Project: Refurbish Seroe Colorado residential housing

It is recommended that this former Lago colony be developed as a township. Seroe Colorado has the feel of a small Mediterranean coastal town over looking the sea. Many of the homes have fallen into disrepair and should be refurbished and sold to prospective residents.

Project: Colorado Retirement Condominiums



Colorado Condos will be located in Seroe Colorado town.

Project rationale: Retired foreigners are an excellent and stable source of revenue to the Island. The 50+ age group constitutes approximately 30% of visitors to Aruba. In the US, seniors (65+) control 48% of discretionary spending. Their net worth is 5 times that of other Americans. They are more likely to consider retirement to a foreign destination like Aruba because it is English speaking, clean and orderly, with locals who are familiar with the American idiom and currency. With plenty of leisure time and disposable income makes this segment a very attractive target for Aruba. The excellent medical facilities in Aruba would make retirement feasible to this group, which in turn would grow the medical sector. Retirees could contribute to the economy of Aruba through their strong buying power.

Project: Colorado Hills Hotel (**)**



Colorado Hills Hotel is a small 20-room hotel for Seroe Colorado to serve vacation and business travelers.

Location: Within Seroe Colorado Town.

Rationale: This will provide business opportunities, and employment, and a non-tourist environment for the small business traveler.

Project: Colorado Mini-Mall and other area services

There will be a need for limited shopping and other facilities to serve the Seroe Colorado community. These might include a provisions store, a pharmacy, postal and bill payment booth. It is anticipated that along the front (First Avenue), boutiques, hairdressers, and cafes are likely to spring up. Centrally located in Seroe Colorado, or along the front where boutiques and cafes are likely to spring up. As the area develops into a viable community, so will a concomitant demand for close-by facilities.

Project: ‘Rodgers Beach Marina’



A few boats are currently anchored at Rodgers Beach, and this is an excellent site for a substantial Marina. This would serve San Nicolas and Seroe Colorado residents.

Project rationale: This is a locally used narrow strip of attractive sandy beach, but with an unsightly view of the oil refinery. The beach is not suitable for hotel development, because of odor and pollution issues. However, it can be turned to good use bringing business opportunities, employment, and revenues to the site. It also

brings a holiday/recreation ambience to Rodgers beach, and customers to the area businesses.

Project: Marina Restaurant and Sports Bar

The old Esso Club is being used for a souvenir shop, but better use could be made of this facility. Adjacent to the Marina, should be a good surf and turf restaurant, sports bar, souvenir shop, fishing and boating supply shop, and coffee bar. Also, possibility of creating a small public sports facility behind Esso Club. Could refurbish old Club tennis courts. Create basketball court, mini-golf putting course; build public restrooms with food vending machines. This could bring more people to beach area, to provide more facilities for growing Seroe Colorado town community

Location: On the site of the old Esso Club

Project: ‘Golden Dunes Resort’ (*)**



Golden Dunes Resort is a 100 rooms hotel proposed for Colorado Point Bay. This is built near between Baby Beach and the ‘pet cemetery’ to the east.

Rationale: To use the south beaches. To attract new tourist segments, to diversify Island accommodations, to increase employment and business opportunities.

Project: 'Blue Lagoon' (**)**



Blue Lagoon is a 200-room family resort hotel. Low-rise to 3 stories, the building is set back against the cliffs away from Baby Beach Lagoon.

Location: Baby Beach: this is a popular reef enclosed lagoon. There are no waves, and it is shallow making it suitable for children. The water is clear, with a clean white sand beach. Currently

used by locals, and some tourists. Snorkeling on reef. Needs more tree shade/landscaping.

Project rationale: In the interests of controlled, and staggered hotel room expansion, and product diversification to target niche markets, we propose some smaller hotel projects for San Nicolas. At least 200 rooms will be needed to 'kick start' tourism-led entrepreneurial activity in San Nicolas, Seroe Colorado and environs.

7. PROPOSED NEW TOURISM FACILITIES, PRODUCTS AND EVENTS

The purpose of this section is to present tourism facilities, products, and events developed, in part, around the principles established by the National Tourism Council of Aruba's 'Framework for Tourism in Aruba'. These principles emphasize:

- Sustainability
- Safety
- Quality Assurance
- Island Identity
- Public and Private Partnerships

The projects also address and promote one or more the following goals implicit in the principles:

- to broaden Aruba's tourism to attract untapped markets
- to increase the range of cultural attractions
- to increase new tourist spending opportunities
- to stimulate local entrepreneurial activity
- to reduce local employment
- to build sustainability into tourism projects
- to diversify the style and ambience of Island accommodation
- to establish tourism across Island regions
- to make explicit the traditional culture of Aruba
- to take advantage of the multi-cultural composition of Aruba in product development

7.1. Proposed Additional Facilities, Products, and Events

Below are described a variety of tourism facilities, products, and events. These, are presented by region as defined in GAC 2000:

1. **NOORD:** Arashi Beach, Druif/Urirama, Malmok, Noord Village, Hadicurari Beach, and Palm Beach.
2. **ORANJESTAD WEST:** Eagle Beach, Manchebo Beach, and Druif Beach.
3. **ORANJESTAD EAST:** Paardenbaai, Town Center, and Bucuti.
4. **SANTA CRUZ:** Santa Cruz Town, Arikok, and Boca Andicuri.
5. **SAVANETA:** Santo Largo Beach, and Savaneta Village.
6. **SAN NICOLAS NORTH**
7. **SAN NICOLAS SOUTH:** Boca Grandi, and San Nicolas Town.
8. **SEROE COLORADO:** Baby Beach, Rodgers Beach, and Colorado Point Bay.

The products and projects described below are intended to be illustrative of the products that are compatible with the overall goals of the tourism strategy. Each product or project will require some environmental, social, and economic evaluation to determine the stable location, eligibility for public support, and financial feasibility. They show the approach that has been taken to identify desirable products. In each case, the team has had discussions with members of the NTC, local cultural groups, prospective investors, tourists, and have visited potential project sites. Product names are working titles chosen for their descriptive function and ambience.

1. NOORD: Arashi Beach, Druif/Urirama, Malmok, Noord Village, Hadicurari Beach Palm Beach.

Project: ‘Caiquetios Antiguos’



Caiquetios Antiguos is a public art project consisting of four 20 foot + high stone/concrete statues of Aruba’s Indian ancestors. Pays homage to the Ciboney, Caiquetio and Jira Jara Arawaks who once inhabited the Island. This would be an important photographic opportunity for visitors to Aruba. Simple stone benches placed for viewer contemplation. Educational:

Placard describing Arubans’ South American Indian ancestors. As a tourist attraction, this will be a national monument of awe-inspiring proportions.

Location: Between Druif and Urirama on the north coast of the Island. Built upon the land below the stark rocky outcroppings, as if staring out to sea.

Project rationale: Public art project will employ the talent and imagination of Aruban artists; invitations should be offered to appropriate and qualified artists. Remind locals and visitors of Aruba’s New World origins.

Project: Natural Pools (false natural pools)



The natural pool between Daimari and Dos Playa is very difficult for the average tourist to reach. Those that make it, love it. Engage geologist/engineer to look at possible sites for pools along Arashi to California dunes that may be suitable for constructing false natural pools. There are a number of small, shallow, rocky bays which could have boulders placed in the sea to enclose bay. This will act as a break the waves and create protected ‘pools’. This would make them safe to wade in.

Location: Along the coastline from south of Cudarebe Point to Arashi beach.

Project rationale: To increase the natural resource of the coastline as a tourism product; to draw visitors to other parts of the Island; to create new areas for recreation.

Project: Walking and exercise path connectors



At present, locals and visitors walk or jog along the land between the beach and the road along Lloyd Smith Blvd and Irausquin Blvd. There are some hard paths, which serve to connect hotels. However, for the sake of safety, convenience, and pleasure, connectors should be laid between them.

Location: Path connectors should be established from Malmok, all the way down to the Tamarijn Beach.

Project: Underwater Marine Park



Environmental scientists need to consider the location availability of this proposed underwater Marine Park. The park must offer a well designed and suitable living underwater environment. A large underwater enclosure would hold a variety of marine life (fish, mammals, live coral, etc.) that can live together. Large sea mammals should be released and replaced after a period of captivity. Visitors walk out along a wooden pier and then descend by staircase into a large underwater chamber room with glass windows. Could have a

‘20,000 leagues under the sea’ theme.

Location: Coastal shelf opposite the Bubali bird sanctuary. Locations would have to be surveyed for suitability, that is, deep enough, and with access for maintenance by marine biologists.

Project rationale: Marine Parks are popular in North America, and would be an attraction to tourists on Aruba too. The site will be compared to ‘Sea Worlds’ and ‘Marine Parks’ in Florida and elsewhere, which many US and other tourists will have visited. Thus, Aruba’s marine park must be large enough, and exciting enough (large marine mammals). This will create a ‘must see’ attraction, and draw large numbers of tourists (and revenues).

Project: The Ultra Hotel (***)**

This 'ultra' hotel will consist of individual units with individual spas, secluded, private garden/patio, pampered service, bistro, and one high-end restaurant, breakfast served ensuite. Examples: Half-Moon, Jamaica; Windjammer, St Lucia; Sandals Resorts. Open a new market: the wealthy, discerning tourist. Construction should be local. Can be built incrementally, and designed into existing landscape. We propose also that the new structure be of a low-rise exclusive cluster configuration in keeping with the new conceptual framework for tourism.

Location: Tierra del Sol, Malmokweg is suggested as most suitable for this hotel for two main reasons. The facility has considerable available space; and second, the existing development has already established the necessary infrastructure: utilities access, extensive landscaping, an 18-hole golf course, and other recreational facilities. The Palm Beach location beside the Marriott Hotel, previously under consideration, would have seriously interfered with the wind surfing activities crucial for the sustainment of the Boardwalk Hotel and the many small tourist apartments clustered along the northernmost part of L.G. Smith Boulevard. Already the Marriott complex has blocked the winds necessary for this sport, pushing tourists towards the dangerous reef areas. Moreover, Hadicurari Beach is already home to the well-established local Aruban fishing community (Fisherman's Huts). This area also provides public beach facilities, and an attractive window onto the sea. Alternatively, beachfront could be reclaimed between the Aruba Phoenix and Amsterdam Manor Beach Resort.

Project rationale: To provide high-end luxury 'trophy resort', above 5 stars. Enhances Aruba's image in the region, and encourages other up-market hotels to improve their product through competition. Attracts wealthy tourists with higher spending potential.

Project: Las Canchas Condos



Las Canchas is a condominium complex designed for first time homeowners. Facilities would include a swimming pool, hot tubs, fitness center, tennis courts, and entertainment area for private parties, or condo events.

Location: Las Canchas, Malmok

Rationale: We believe there are excellent reasons for building condos in Aruba. They provide starter homes for new married couples and professional singles. With the current demand for homes, this would slow down the consumption of the increasingly scarce land.

Project: ‘The Romantic’ Hotel (***)**



The Romantic is a 5 star, small, 30 room hotel for couples and honeymooners, with an emphasis on privacy. This is a small, romantic resort with individual one-bedroom units. Each unit has a king-sized bed and two-person bathtub. A Wedding Chapel and reception room overlooks the beach. A store to rent wedding costumes. Waiter served, torch-lit moonlight dinners ‘lover’s tryst’ may be reserved on the beach. A large wing-like awning ‘dine beneath lovers wings’ will cover the dining area on the beach.

Location: A fill-in project along Palm Beach or Eagle Beach.

Project rationale: To diversify style of hotel accommodation. With an increasing number of couples getting married on the Island, a very small, private, exclusive and romantic hotel will be very popular. Many other islands are already taking advantage of this business and Aruba (which is known already as a honeymoon Island) should follow suit with wedding/honeymoon packages. For example, a Sandals ‘Wedding Moon’ package is free if a couple stays 5 nights or longer and includes: preparation of documentation, certified copies of marriage license, legal fees, ceremony Officiate, wedding announcement cards, champagne and hor d’oeuvres wedding reception, flower bouquet and boutonniere, elaborate Caribbean wedding cake, wedding photograph, honeymoon candlelight dinner for bride and groom, just married tee shirts. Optional extras include: professional video of ceremony, make-up, hair styling and manicures/pedicures, full body massage, helicopter/private car airport transfers, champagne cruise, special floral decorations, cake/knife server set and toasting goblets.

Project: Water Bungee Jumping



To diversify water sports, add bungee jumping as a new water sports novelty. This takes place over water. A wooden pier will be constructed out into the bay where there is a safe depth of water. A wooden tower will be built at the end of the pier, with steps up to a platform.

Location: Along Palm Beach, but only where there is sufficient water depth for this activity.

Project rationale: To diversify range of water sport activities, and to increase small business opportunists for Aruban entrepreneurs.

Project: Hadicurari Campground



This campground for Arubans (two more are suggested later) will provide better and more sanitary facilities for campers. This should be a managed year-round campground with facilities on Hadicurari Beach. Facilities will include water, electric plug points, central building with public showers, kitchen with cooking facilities, common dining area with long wooden tables and benches, and camp provision shop. Outside area with above ground barbecues. Provide for garbage pick-up. Camp can expand facilities according to customer demand -- e.g. games room, sun shelters with table and 2 benches. Make available separate R.V. and tent sites. Build two air-cooled cabins to test demand (one room, mosquito-proofed with bunks, shelves, hooks.) No dogs, or noise disturbance after 12pm. Advance booking, per night and weekly charge.

Project: Hadicurari Beach Park



A beach park area should be developed next to the Marriott Hotel. Cabanas for sun shade, Wilhelmina Park-style landscaping, beach showers and public restroom, small non-commercial boat ramps for the weekend sailboater, and inset parking next to Sasaki Hwy.

Location: Hadicurari Beach, adjacent to Marriott Hotel

Project rationale: Beach space for local use is diminishing. A beach park area will benefit not

only resident Arubans, but also tourists who enjoy mixing with locals.

Project: ‘Pueblo Living Village’



The Pueblo Living Village is a year round product. It incorporates and displays native culture, traditional way of life, products, and expressions through the arts. It also embodies history, has depth and richness through multiple facilities and entertainments. It also involves local resident employment and business

participation, and arts and crafts technical training. For tourists, this will be a significant ‘must see’ attraction. The various activities will generate revenue for local participants. The local ambience and ‘authenticity’ are important. It likely to be more successful if constituted on many different levels -- an enriched experience where traditional folkways

are displayed: through lifestyle, buildings -- some based on old cunucu houses with painted motifs. Local artists are provided with low rent studio space.

Location: Palm Beach Road. The project is expandable allowing other activities and facilities to be added to the perimeter of the project. For this reason, adequate space must be acquired initially. We would also recommend that this project be located close to residential and existing business areas where locals are likely to utilize the central market place, and other facilities. These considerations help determine longevity, and authenticity (as an embedded community). An ideal space for this facility would be in village Noord, along the southeast side of Palm Beach Road.

Project rationale: In addition to the employment and economic issues stated above, this project would serve local interests, and create a new facility for Noord residents. Offers vocational education for talented arts and crafts students and will develop a body of native designs. The village will bring hosts and guests together, increases tourist on-site spending, and display, promote, and fortify aspects of Aruban culture.

Pueblo Living Village -- Multiple product description:



- i. The **‘Pueblo Central Market Place’** is a colorful, open-air, but covered market in the center of the village. The majority of products and produce offered for sale in the market should be made in Aruba. A limited amount of imported products from South and Central America may also be sold in the market by 1 or 2 licensed vendors -- as long as they are not stamped ‘Aruba’. Their provenance must be displayed.



ii. **‘Theater Arubano’**, set on perimeter of village, will perform two evenings a week (tickets sold for seating). The play will be **‘Island of Gold’** (1 hour), and will be an account of the invasion of Aruba by the Spanish. Will use spectacular Indian costumes and conquistadors, dance, mime, music (i.e. multi-lingual) -- very theatrical, rich ambience, light by flaming torches and colored lights. Very simple wooden semi circle seating.

Refreshments served before performance. On other nights, space could be used by Noord residents for their own events -- no charge for tourists who wander in.



iii. The **‘Wayaca Print Shop’**: produces simple pareos, tee shirts, and many other products with South American Indian motifs. Perhaps Artesania Aruba could move here, or have a small studio here.



iv. **‘Arashi Crafts’** produces a variety of well-designed crafts: leather work, silver work, tatting, basket weaving, etc.



v. **‘San Pueblo Pottery’** is a small workshop producing pan-South American Indian designs for sale in market place, and replicas of pieces from archaeological museum.

N.B. High school students should be recruited or encouraged to apply for design workshop to feed pottery, print, and craftwork shops. Acceptance to program based on strength of portfolio. Design quality and cultural appropriateness monitored (native themes and local symbols: nature, Indian pictographs, etc). One year training apprenticeships in the visual arts and crafts, under qualified and Aruba culture-literate teachers.

vi. The **‘Public Plaza’** provides a shaded area for locals and visitors to sit and pass the time. This will have a stone tiled floor, with comfortable benches. Large trees give shade, and shrubs and flowers in pots will lend attractive landscape.



vii. The **‘Aloe Café’** is a refreshqueria serves local dishes, local ice cream, local beer, softs, pastechi, loempia, empanada, fried plantains, sopi cabrito, galina , pisca, and carni served with pan bati, or funchi. Cadushi (cactus) soup, qesadilo, local drinks like tamarind and coconut.. Local cookbooks may also be purchased here. Wherever appropriate, products are packaged for sale with traditional meanings/uses. ‘Native’ music playing gently in the background. Landscape with wooden Aloe draining troughs. Here provide leaflets advertizing the Aruba Aloe factory tour at Hato, and the Bonbini Folkloric night at Fort Zoutman.



viii. The '**Olde Photo Studio**' displays photographs of old Aruba. Here visitors can dress up in traditional 19th century Aruban costume -- 'Going to chapel', 'Aloe farmer', 'Arawak cacique' for a black and white or sepia 'nostalgia' souvenir photo.

ix. A small '**Arawak Botica**' sells 'magical waters', local perfumes, candles, and incense, Aloe products – a sort of aroma therapy shop with an Arawak Indian ambience.



x. The '**Cadushi Garden**' displays a variety of exotic cacti: prickly pear cacti, tuna, cadushi, breba, cadushi di pushi, bushi, etc. Also grows plants with medicinal purposes: aloe, yerba stinki, carpata, shoshoro, seida, flor di sanger, basora pretu, walishali, etc.



xi. **Calabas Mini Rancho** is a small petting farm, situated on outer rim of village. It houses chickens, sheep, goats and donkeys. Children may ride on donkeys.

xii. **Children's Playground** is set on the periphery of the village next to the mini rancho. It should use relatively old-fashioned rides -- at least those that were around in the 19th century. The grandparent's generation should be consulted on the out door rides and amusements around during their childhood.

Products that should be developed for sale in the Botica, and Central Market (good quality, made in Aruba, affordable) include the following:

- Perfume ‘Arawak perfume’ and healing balms (Aruba Aloe Balm. N.V.)
- Candles ‘Indian spice candles’ (Aruba Candle Company N.V.)
- Exotic Aruban Hot Sauces (Kelant Rose N.V.)
- Vacation clothing line (sarongs, pajamas, beach wraps, t-shirts, etc.)
- Jewelry boxes, Aruban dolls, shells, chimes from driftwood and shells
- Aruban straw hats (turn of the century style)
- Tablecloths and napkins, etc.

Project: J. E. Irausquin Blvd Renovation and Development

The landward side of the Palm Beach hotel strip is a mix of restaurants, car parks, and sport facilities. The type and quality of these establishments is appropriate for this location, but the car parks could be pushed back behind to provide road frontage for new tourism products. Inset plazas with attractive landscaping would be appropriate here. This stretch of road could consciously be developed into a ‘tourist town main street’ with sidewalks and benches on both sides of the street. Consideration should be given also to the development of a particular style for this mature location.

Project: Bubali Wildlife Park



The land and resources of the lagoon is a favorable environment for plant and wildlife habitat. The Sasaki Plan (pp33-42), called for a managed park at Bubali with a ‘**wildlife sanctuary**’ and a ‘**botanical garden**’ (see plan for feasibility analysis suggestions, detailed

management, and land terracing). In order to enhance the park facility, we would add a ‘**Birds of the Caribbean Aviary**’; incorporate the existing ‘**Butterfly Farm**’, and build a ‘**Visitor Center**’ with informational literature, rented binoculars, and refreshments. A system of ‘Above ground walkways, lookout points and roofed bird watching towers’ should be developed away from sensitive areas. The whole park area should be defined and protected by a surrounding traditional stone or cactus wall, with an out-front parking area. Storage facilities should be provided for park maintenance materials and vehicles.

Project rationale: This Park would provide a complementary attraction to the tourism corridor. At present, the bird sanctuary is not being well utilized as a ‘must see’ facility. By developing the reserve into a more complex facility with different attractions, the site will attract more visitors. This site is not a revenue-producing attraction, but could raise donations for its upkeep.

Project: The ‘Mediterranean’ (***)**



This 50 room, Greco-Roman style high-end small hotel will sell exclusiveness, privacy, and luxury. Luxuriously decorated 1 and 2 bedroom suites, with sitting room, and comprehensive entertainment center. Greco/Roman style bathrooms with separate shower and double tub, his and her basins. Private gardens with Greek/Roman statues, fountains, fish-filled ponds, sun-dials, and tiled dining areas. Communal outdoor Roman bath. Health Spa where guests will be pampered with mud baths and full body massage. Beauty salon, fitness room. Fine dining

with Mediterranean food and fine wines and liqueurs. Private tour bus with refreshments, cocktails, and multi-lingual well-trained tour guide. Private yacht may be reserved with captain for cruising or deep-sea fishing.

Location: This is an in-fill hotel for the tourism corridor, Palm Beach or Eagle Beach. Also could be located on Tierra del Sol, in Seroe Colorado, or on south beaches.

Rationale: To diversify hotel styles and attract different market segments.

Project: 'Global Village Resort' (***)**



This is unique high-end boutique hotel with individual units. Each unit embodies a cultural theme in its décor: the Balinese suite, the Parisian, the Tuscany suite, the Pompeii, the Woodstock (1960s), the Maharaja, the Hawaiian, the Geisha suite, the Hemmingway, the Graceland suite, etc.

Location: This is an in-fill hotel for the tourism corridor, Palm Beach or Eagle Beach. Also could be located on Tierra del Sol, in Seroe Colorado, or on south beaches.

Rationale: To diversify hotel styles and attract different market segments.

2. ORANJESTAD WEST: Eagle Beach, Manchebo Beach, Druif Beach

Project: ‘Wet and Wild Water Park’



A classic water park for all the family - locals and tourists. Year round product. Speed water slides of varying heights for young and old, water tubes of different heights and lengths, a wave pool, and other thrill rides. Children’s wading pool with a variety of water rides, slides, and other water play activities. Well managed, with lifeguards. Suggested entrance fee \$20 adult, \$12 for children under twelve years of age.

Location: Landward side of Eagle Beach, behind Paradise Villas, adjacent to La Cabana on Lloyd Smith Boulevard.

Project rationale: To add a year round product, diversify entertainment offerings; create a family-oriented activity, a place to bring tourists and locals together. This will also increase tourist spending outside hotels.

Project: Beach Bars



Beach Bars are very popular with tourists. These also create a relaxed and casual ambience for Aruba’s beaches. Should allow small beach bars (with size limitation) to be established along the back of the beaches. Designs must blend into the beach landscape: wooden frames, palm leaf roofing, and

board walk floors. The bars should be placed between, rather than in front of the hotels. These are not restaurants and will only sell drinks (all kinds) and snacks. The size of these bars should be limited to 4 x 4 meters.

Location: Between hotels along Palm Beach, Eagle Beach and Manchebo Beach.

Project rationale: These beach bars will provide small business opportunities for locals.

Project: Hotel Baseball League



Weekly evening Aruba Hotel Base Ball league teams. (high-rise, low-rise, timeshare) e.g. ‘**el Santaneros**’ v ‘**Aruba Iguanas**’.

Build a diamond, with refreshment stands (hot dogs, loempia, croekets, pastechi, empanada, soft drinks, beer, etc.) Sell baseball hats and tee shirts for both leagues.

Bring out the marching brassband at beginning and middle of game with Aruban

cheerleaders. Show the Island’s sportsmanship, Asambeho music, and beautiful girls.

Hold a competition to design Aruba’s baseball mascot. Aruba’s national sport is **baseball**. Aruba has contributed players to the baseball teams in the States. Show tourists baseball -- Aruba-style. Adult \$10, under twelve years, \$7 tickets.

Location: Should be established inland along tourism corridor.

Project rationale: To diversify tourism entertainments. This also offers the opportunity for small local business, and sports activity for hotel employees.

Project: Eagle Beach Campground

This campground for Arubans (two more are suggested later) will provide better and more sanitary facilities for campers. This should be a managed year-round campground with facilities under the Sea Grape trees on Eagle Beach. Facilities will include water, electric plug points, central building with public showers, kitchen with cooking facilities, common dining area with long wooden tables and benches, and camp provision shop. Outside area with above ground barbecues. Provide for garbage pick-up. Camp can expand facilities according to customer demand -- e.g. games room, sun shelters with table and 2 benches. Make available separate R.V. and tent sites. Build two air-cooled cabins to test demand (one room, mosquito-proofed with bunks, shelves, hooks.) No dogs, or noise disturbance after 12pm. Advance booking, per night and weekly charge.

Project: Eagle Beach Condominiums



Condominium complexes are a rational use of scarce land resource in Aruba. They are suitable for first time homeowners and professional singles. Eagle Beach Condos should be no higher than 3 to 4 stories, and well landscaped. Facilities would include a gardener, a swimming pool with maintenance staff, fitness room, and tennis courts and games room. Should be large

central patio for private parties or open condo events.

Location: Palm Beach and Eagle/Paardenbai

Project rationale: We believe there are excellent reasons for building condos in Aruba.

They provide starter homes for new married couples and professional singles. With the current demand for homes, this would rationalize the consumption of the increasingly scarce land.

Project: National Museum of History, Culture and Archaeology



The Dutch might fund this project. Should use Dutch-Aruban architectural motifs. Existing small institutions that are currently scattered around should be housed here: Archaeological Museum (present small building only displays 1/5th of its collection), National Historic Archives, Museo Historico Arubano, Museo Numismatico.

Complex will consist of climate controlled storage for fragile collection items, exhibition rooms for historical displays (costumes, technology, cultural artifacts, natural landscape, flora and fauna photography, old musical instruments, etc.), equipped science laboratory, museum staff offices, study rooms for visiting scholars, library, museum restaurant, museum coffee shop (the latter to serve museum and area business employees, and tourists). Large space for visiting school programs, workshops, etc. Museum shop (books, postcards, artifacts, souvenirs).

Location: At the entrance of the tourism corridor on L. G. Smith Blvd. Must have sufficient parking to accommodate, employee and visitor parking, large tour coaches, and school buses.

Project Rationale: Aruba does not have an imposing large museum complex. Provides national monument for national pride. Source of continuing education for local

population, outreach programs for schools. Facility for visiting scholars of Aruba. Popular ‘must see’ attraction for our tourist guests. Employment and business opportunities for Arubans. Revenue sources: entrance fee to museum proper, additional revenues from museum shop, coffee shop, and museum restaurant.

Project: ‘Delft Town Plaza’



Modeled on the Dutch town of Delft, this compact circular shopping plaza will sell Dutch products: cheese, Dutch hats, clogs, windmills, tulip bulbs, delft pottery, etc. Within the central plaza is a meandering canal with small bridges to traverse the water and watch the fish. Dutch snacks café (Der Dissel might have a small branch here), with indoor, and shaded outdoor seating. The Dutch Hurdy Gurdy should be placed in the center of the plaza.

Location: Behind the Old Dutch Windmill, Palm Beach, or along the Madiki commercial strip.

Project rationale: To diversify the shopping experience. It is likely that Dutch resident entrepreneurs would involve themselves in this project. For the American tourists, this would be of great interest since the Dutch also settled America, founding New Amsterdam that was to become New York.

Project: 'Royal Dutch Town Hotel' (**)**



The Royal Dutch Hotel will provide a high-end town hotel for Oranjestad West. Important to maintain the theme of Oranjestad as 'Dutch Colonial' in the architectural style of this building. Because of its seafront location should be kept to a height of three stories.

Location: Beach front, on site of container/free zone area.

Rationale: To diversify style of hotel accommodations.

Project: Wharfside Market



Attach wooden roof fascia with 'cunucu peak' and paint with Aruban house motifs. Reserve two stalls for 'made in Aruba' products.

Location: The wharf, Lloyd Smith Blvd.

Project rationale: This wharf side market has been popular with tourism for many decades. Today, the stalls sell predominantly imported goods - many from Haiti. Since the market is a central, and well patronized facility, it should reflect indigenous material culture. This enhancement project is designed to import 'an Aruban flavor' into the market by painting Aruban house symbols on the roof facings, and reserving two stalls (left and right) for the sale of 'made in Aruba' products.

Project: Demolish Buildings

Some buildings are unsightly or in disrepair and should be demolished where warranted. For example, the **Public Works Department** should be housed off the tourist strip, and the building demolished together with the adjacent **slaughter house** buildings. Push back **building line** here to create sense of space and plant grass, shrubs on two fronts of new corner development.

The **free zone and container haven** should be moved (and are already slated for removal). This valuable sea front land is to be used for low-rise hotel development (Royal Dutch Town Hotel) but leaving open views to the sea and access to the beachfront. The water/ship **fuel tanks** could be painted with blue sky and white clouds to blend in with skyline. The Coastal **gas station** should be moved further north along Sasaki Hwy. This is an eyesore and causes a traffic bottleneck, could be made attractive with landscaping.

Project rationale: Lloyd Smith Blvd. is a prime tourism development location and needs to be used rationally.

Project: Reface Commercial Strip



The commercial strip along from the bus terminal to Sun Plaza is an unattractive hodge-podge of vernacular buildings. We suggest that these buildings are refaced in blocks, each adopting a particular Aruban style. The fronts should be landscaped and planted. The recently acquired large vacant lot in front of the tax building should also be included in this effort to give character to Oranjestad. Any development here should adhere to the same (Dutch Aruban) style selected for this area.

Location: Lloyd Smith Blvd. From Bus Terminal to the end of Madiki.

Project rationale: The areas through which tourists travel in Oranjestad should be given some style continuity - especially along the entrance to the tourism corridor.

3. ORANJESTAD EAST: Paardenbaai, Town Center, Bucuti.

Project: Aruba Carnival Museum and Theater



The Aruba Carnival Museum and Theater is large museum that houses the historical record of the Aruba carnival. It has archives, and exhibition spaces where costumes are displayed. Suggest that **SAC** (Stitching Arubaanse Carnaval) have its offices here. The carnival ambience is evoked through piped road jam and calypso music. Looping videos are shown of old and recent carnivals. Museum will include the **Café Carnavalista**, and the **Museum Shop**. One possible would be for visitors to have their photograph taken as their stand inside one of three costume road pieces. Periodic events will be held, including a weekly **Carnival Costume and Dinner Show**.

An 'Artist in residence' program could offer a one year stipend and studio space for talented costume designer to work in museum. Artist would meet with museum visitors who could view work in progress. Museum should be accessible for school field trips to learn about the history and artistry of their national carnival. Products with a carnival theme should be developed for sale in museum shop: videos, cd's, books, photographs,

postcards, posters, carnival feathered head pieces, carnival queen crowns, Calypso King crowns, carnival tee-shirts, small piano steel pans, Carnival Queen dolls, Carnival Prince, Prince dolls, Momo dolls, sailor boy hats, etc.

The Carnival Museum could also provide 24-hour **costume rental** in order that visitors to the island may participate in both the winter pre-Lenten Carnival, and the San Nicolas ‘All Caribbean’ Summer Carnival (SAC to waive entrance fee). This would enable costume designers to rent out their costumes for a few years to defray the cost of production. Costumes could be booked in advance on line, or through their hotels.

Location: Between Vondellaan and Stadionweg. In Cas Cultura Building, if that becomes available.

Project rationale: This festival is Aruba’s most significant annual event for tourism and should be maximized as much as possible to increase revenues and employment.

Project: Historic Oranjestad Tour



Locate cluster of colonial buildings for renovation. Clean up surrounding area -- preferable creating small plaza in front as a gathering place. From photographs and written sources, renovate exterior and interior of building. Then refurnish and equip the interior rooms appropriate to the period. Multi-lingual and well-informed tour guide, wearing historic costume, gives historic account of life and work in these buildings.

Location: All Oranjestad, especially Wilhelminastraat and Rancho.

Project rationale: This project is to increase tourist presence and activity deeper into the heart of Oranjestad, and increase the amount of cultural tourism the Island can offer.

These buildings should also be accessible to school field trips for student to learn about life in the 8th and 19th centuries in Oranjestad.

Project: Reface Oranjestad Buildings



The refacing of commercial buildings in Oranjestad has significantly improved the built environment. This practice of refacing building with Dutch Aruban architectural design features should be expanded wherever possible on streets frequented by tourists. Improvement grants to private

owners of listed historic homes.

Location: Lloyd Smith Blvd., Paardenbaistraat, Weststraat (north/south), Havenstraat, Zoutmanstraat, Oranjestraat, Wilhelminastraat, Klipstraat, Caya Betico Croes, Steenweg, Nieuwstraat, and Emmanstraat (lower).

Project rationale: To encourage the tourists to wander around the ‘interesting’ streets of Oranjestad, frequenting the restaurants, bars, and shops.

Project: Main Street Shopping Plaza



An open plaza/walking promenade feel will only come with the long asked for complete closure of Caya Betico Croes to traffic. Extend tile or cobble paving across width of street. Reface buildings with Dutch architectural features. More trees and planters could be placed in plaza. To enhance the ambience of this Dutch-like town street, tables and chairs could be placed outside, under shades, in front of refreshquerias and coffee bars. Licensed street vendors also make a place colorful..

Project rationale: The east end of Main Street is not attracting enough tourists. This is due in part to its unattractiveness in comparison to the west end of the street with its tiled and shaded plaza, Dutch-style facades, and open-air snack bars.

Project: Airport Route Beautification

Lloyd Smith Blvd from Queen Beatrix Airport to circle at Vondellaan. This is the visitor’s first experience of the Aruban physical environment. The poorly maintained verges, and the large billboards make this an unattractive drive. Remove billboards, clean up and plant verges with trees.

4. SANTA CRUZ: Santa Cruz, Arikok, Boca Andicuri

Project: ‘Old Aruba Museum Village’



The Santa Cruz area should region could be presented as the ‘folkloric heart’ of Aruba. A major project is the construction of a year-round show village -‘**Old Aruba Museum Village**’. This attraction would depict 19th century country life, with mud and wattle houses, kitchen gardens, tankis, cactus fences and stonewalls, small aloe field and aloe processing technologies, penned animals, and goats, pigs, sheep, and chickens running around. Visitors can step inside the houses to see how families used to live.

One finished ‘show’ house (cas di torto) built in the old way (cactus stick, grass, and mud walls, with thatched roofs) with a pounded earth floor and lime washed walls. Some parts of the construction process should be revealed through protective glass viewing windows. Rooms should be furnished according to the style of the time, and the kitchens and other workplaces fully equipped with the period-appropriate tools and utensils. The village will have informational guides, and a public restroom. Historians should be involved in the proper re-creation of this historic village.



Location: Santa Cruz, location to be determined.

Project Rationale: This project displays the material culture and recent history of Aruba. Would be of educational interest for tourists and residents alike. Displays a disappearing way of life to a younger generation of Arubans. Should be accessible to educational school fieldtrips.

Project: Folkloric Dance Night



Tourists often express the desire to learn the local dances. This could be fulfilled at a weekly folkloric dance night where Aruban dancers (male and female) teach the visitors to dance ‘Aruban-style’. This activity could also be accompanied with Aruban cuisine. A local restaurant might like to host such an evening.

Location: Santa Cruz

Project rationale: To diversify cultural entertainments, display Aruban cultural life, and to create face-to-face contact with residents.

Project: Arufest



Folkloric Aruban Festival (1 week around 24th June) a week long annual festival of folkloric celebrations, ‘**Arufest**’, including ‘deramento di gai’, and ‘dande’, and popular regional dances like the waltz, tumba, and merengue. Important not to mix program with contemporary music and the carnival because these are on public display during high season, whereas tourists seldom see ‘deramento di gai’ and ‘dande’ in performance (the dances are, however, performed at the excellent weekly Bonbini Night at Fort Zoutman.

Deramento di gai on June 24th at the Centro Bario Brazil.

Location: Santa Cruz, location to be determined.

Project rationale: To display native Aruban culture and folklore. To diversify cultural tourism products and events.

Project: Santa Cruz Weekend Arts and Craft Market



This open central market serves tourists and residents on Saturdays and Sundays. Shaded market stalls offer a wide variety of merchandize: sell local arts and crafts, antiques, second-hand items, houseplants, music CD exchange center, local artist exhibits, etc.

Location: In Santa Cruz town, along main road to catch traveling tourists.

Project rationale: Regional diversification of tourism. Increase tourist spending; create business opportunities for local vendors and artisans.

Project: Arikok Visitor Center

Arikok Park requires an enhanced Visitor Center. Here the visitor would be able to obtain information: map and walking trail guides, plant and animal wildlife spotting workbook, restroom facilities, refreshments, bicycle rental, and so on.

Project: ‘Wild Coast Rides’



Wild Coast Rides refers to the location of ‘all terrain’ vehicles for rent and use on the rugged north coast of Aruba. This project takes advantage of the lure of the rough terrain for mountain bikers and ATVers, in particular. Rough rider trails are marked through non-sensitive areas as defined by current environmentalist guidelines. A trailhead for these off-road vehicles is located at the natural Bridge. Marked trails for these vehicles are to be established from the Bushiribana Ruins an Arikok Park up to the ridgeline. Trails should be maintained and patrolled on a regular bases. The dunes at Boca Druif, Boca Daimari, and Wariruri, etc, should be physically protected from vehicular intrusion by cunucu stone walls or cactus fences

Location: The Natural Bridge restaurant and bar at Boca Andicuri.

Project rationale: ‘X-treme Tours’ products are very popular with the younger cohort of tourists. For example, already in place are very popular jeep tours which take tourists ‘on safari’ around the Wild Coast. Goal here is to encourage small-scale Aruban business, while limiting the environmental damage and risks to visitors and locals that result from uncontrolled used. It is possible also that similar limitation should be placed on horseback riding and mountain biking with the designation of shared-use trails.

5. SAVANETA: Santo Largo Beach, and sea front housing and streets

Project: ‘Fisherman’s Wharf Hotel’ (**)**



A small boutique hotel utilizing native workers at all levels. Create beach front complex around existing local fishing activities. Build small fishing boat marina to anchor boats, and provide storage and refrigeration facilities for fishermen. Long board walk out into sea with bar/café at end where fishermen can mingle with tourists. Small boutique hotel complex with casual ‘beach comber’ ambience. Accommodate couples, wind surfers, and other water sporters. 20 self-catering units (can be expanded if popular).

Each unit self-enclosed, use three different unit designs to give village feel. Aruban style thatch roof, bamboo dividers, landscaped for privacy, and enclosed patio. System of board walks between units and main facilities. There should be a swimming pool, central laundry, and small grocery/souvenir shop. Open bar/fish restaurant located on beachfront.

You can watch the fishermen bring in their catch. Decorative theme: ‘fishing village’, with nets, cork, shells, heavy rope, boardwalks, anchors, old fishing boats. This stretch of beach already boasts two of the best fish restaurants on Aruba: Brisas del Mar, and the Flying Fishbone.

Location: Possible location on the north side of Brisas del mar towards Santo Largo Beach.

Project rationale: To create Savaneta as a viable tourism site in Aruba. Also to diversify hotel accommodations, to appeal to a different tourist segment.

Project: Savaneta Beach and ‘Old Seafront Village’ Enhancement



There is an existing village feel about this seafront area of Savaneta. There are many old and well-maintained traditional cunucu houses. There are fishing activities between Santo Largo and Savaneta Beach and Picnic grounds. There is a small fishing marina and a rustic Fisherman’s Bar. The streets are pleasant to walk around. Could designate this a ‘historic area’ since this was the site of the first colonial settlement and first Aruban capital. ‘Old Seafront Village’ should be enhanced by cleaning, landscaping and beautification (old cunucus painted in yellow, pink and blue pastels if owners permit). A ‘village walk’ could be signed; perhaps some small bars and cafes will spring up in response to the presence of tourists.

Location: Old Savaneta seafront along the road down from Lloyd Smith Blvd, to the seafront, past Brisas del Mar, to the fisherman’s bar.

Project rationale: To create a new tourist site on Aruba, one which be of interest to culture-oriented visitors who are attracted to, and will be empathetic with, native cultural life.

6. SAN NICOLAS NORTH

Project: Ring Road

A 2-kilometer extension to the existing ring road north of San Nicolas should be built to take tourists around San Nicolas to Boca Grandi and the southern Colorado Point Beaches. This is already under discussion and would extend the existing route that starts inland from Lloyd Smith Blvd. At Cura Cabai, through Brazil to Ceru Blanco, north towards Ceru Cadushi but crossing over to Boca Grandi just north of the Aruba golf club by a two kilometer connector road. The views above San Nicolas looking out over the north coast are spectacular, and dropping down towards the southern beaches a welcome sight for arriving tourists. The streets of San Nicolas are too small and too slow for large tour buses.

7. SAN NICOLAS SOUTH : Colorado Point beaches, Boca Grandi

Project : San Nicolas to host three festivals: ‘Battle of the Bands’, ‘San Nicolas Soca Festival’, and the ‘All Caribbean Music Festival’



It is proposed that San Nicolas host at least three major music festivals at different time during the year. ‘The Battle of the Bands’ should be a competition between the major musical bands on the Island. ‘King of the Bands’ is the title given to the winning band. Judging based on best original composition, technical ability of musicians, and audience appeal, etc.

The Soca Festival would be held in July to attract summer tourists to the town. The All Caribbean Music Festival is designed to attract a wider community of Aruba’s musicians, and to represent the music from around the Caribbean, e.g. reggae, zouk, bachata, chutney, salsa, calypso, etc. The requirement for professional organization and facilities noted above holds for these latter festivals. The San Nicolas music community to consider and amend, or add to these ideas.

Location: Joe Laviest Sportpark. This sport park needs to be considerably upgraded for a better entertainment experience for residents and tourists, or another venue should be located. A half-covered arena with separate ticketed seating, standing only, and dancing floor areas would be preferable to the present sport park arrangements.

Project rationale: To reinforce the notion that San Nicolas is the musical heartland of Aruba, by hosting at least three major music festivals during the year that are of sufficient professional standards in terms of music, and organization, and presented in a manner that would attract tourists to attend.

Project: San Nicolas ‘All Caribbean Carnival’



Some other Caribbean Islands hold a summer ‘Cropover Carnival’. This festival originated with the harvest season for slaves. Today, considerable tourism revenue comes from this event at a time of year that is considered the low season for the Caribbean. Since Aruba did not have significant plantations, this kind of carnival would be inappropriate. However, along with the Trinidadian workers, other Caribbean immigrants participated in the early days of the carnival. San Nicolas should

develop an ‘**All Caribbean Carnival**’ representing the carnival traditions from the other Caribbean Islanders that settled on Aruba. Among others, these Islands include British Guyana, Jamaica, Barbados, Antigua, St Kitts, St Vincent, Grenada, and the Netherlands Antilles. (Some of these developed carnivals recently). This ‘All Caribbean’ carnival would represent San Nicolas as a distinct community, and be a source of pride and revenue for the district.

Location: San Nicolas streets and Sport Park on Pastoor Hendrikstraat

Project rationale: Very important to hold a summer carnival in August (month with highest number of summer tourists). Increase sense of community. Enhance San Nicolas further as Caribbean town.

Project: Bus Station / Taxi Stand / Tourist Shuttle



Part of Plan-D2. The San Nicolas Bus Station has been asked for by the town residents. location specified in Plan-D2. A central taxi service should also be placed here. When the hotels are built, there will be a need for a tourist shuttle bus that travels between Boca Grandi, Seroe Colorado, and San

Nicolas. The bus should be painted with colorful designs.

Project: San Nicolas Central Market



A busy covered market always attracts tourists. This central market may stimulate boutique and café development close by. Should serve as a central market for local residents, and should expand to include any other appropriate vendors – antiques, second-hand items, houseplants, music CD exchange center, local artist exhibits, etc. Local businesses may

choose to set up a stand on Saturday here to sell (and advertise) their major locations.

Location: San Nicolas town center - specified in Plan-D2

Project rationale: To increase tourist spending, and provide business opportunities for vendors, and artisans. Diversify products in San Nicolas.

Project: San Nicolas Town Center Shopping Mall and Multi-Screen Cinema

The San Nicolas community has called for a good quality shopping mall in the town -- location specified in Plan-D2. This shopping facility would serve both San Nicolas residents, and later, Seroe Colorado residents and Colorado Point hotels. Also planned at this location is a multi-screen cinema.

Project: Water Tower Refinery Museum and other Historic Buildings



This historic building should be listed for preservation. There is a local initiative to utilize the tower for an industrial or refinery museum; this would be an appropriate use of this building. San Nicolas has been an industrial town since the 1930s, and the original ‘village’ has retained its 1950s Caribbean flavor. The buildings (including those made of wood) should be preserved through historic listing and refurbishment grants. They should also be painted in bright ‘Caribbean colors’.

Location: Bernhard Street

Project rationale: To renovate the Water Tower and other historic buildings. To diversify tourism products in San Nicolas. An historic archive, and educational museum site for San Nicolas.

Project: San Nicolas ‘Music Quarter’



San Nicolas represents itself as the ‘musical heart of Aruba’. A Bourbon Street-style development (a popular tourist area in New Orleans) integrates adjoining streets for ‘must see’ entertainment site. Two or three adjoining streets should form a distinct ‘Music Quarter’. Different bar/cafes should be associated with different types of music, e.g. The ‘Black Cat’ and the ‘Blue Note’ are strictly jazz bars.

‘Rasta Talk’ and the ‘Dreads Bar’ present reggae music; the ‘Soul Juice’ offers rhythm and blues, ‘Latin Rhythms’ for Latin music, etc. Tourists will come for the music, and eat, drink, and dance. There is a need for better street lighting to enhance the sense of safety. Also, friendly police should patrol the streets in plain sight.

Location: Should use Charlie’s Bar on Zeppenfeldt Street as the anchor establishment, then develop four street blocks: Rodgers, Franz Hals, and G. Flincks between Jan Steen and Zeppenfeldt. This should create a distinct physical boundary to the Bourbon Street district. (These streets are chosen only to simulate the size and region of the proposed district; the area needs to be surveyed for suitable streets.)

Project rationale: Makes use San Nicolas’s multi-cultural musical talent. Creates nighttime entertainments. Diversifies tourism product, is built around existing bar activity and employs musicians.

Project: ‘Waves Beach Resort’ (**)**



Waves Beach resort is a 100 room hotel at the four star level for the San Nicolas area.

Location: Colorado point beaches, south of Boca Grandi. Boca Grandi is a long, wide sandy beach along a crescent-shaped bay, protected by a reef. The winds are extremely strong, and there are

rip tides, which makes it dangerous for swimming. The bay is very popular with windsurfers, snorkellers, and scuba divers. Although there is some interest in developing a resort project here, because of the strong winds and salt spray, it is likely that a hotel would be located further south towards Punta Besora. Although this area may be designated as a protected area under the new zoning plan it should be noted that this area was previously developed under Lago with hardened roads and some infrastructure. These could be repaired.

Project rationale: After the (now) Marriott Hotel was built, the winds off Palm Beach have been significantly reduced. This has affected the wind surfing activities. Some surfers now frequent the long beach at Boca Grandi to find stronger winds. This is one of 4 hotels recommended for the San Nicolas area. The Waves Beach Resort will attract hard-core wind sporters, and those who prefer a less commercialized, but high quality, remote setting.

Project: ‘Blue Surf Resort’ (**)**



The Blue Surf Resort is a 100 room, 4 star hotel resort. Two hotels at this location will offer a choice of price, facilities and ambience.

Location: Boca Grandi south. The location restrictions given for the Waves Beach Resort would apply also to this second hotel.

Project rationale: This hotel would be located close to the Waves Beach Resort, but differ in terms of style and ambience.

Project: Wind and Waves Sports Center



San Nicolas residents have requested a ‘laid back and peaceful’ hotel development, with no motorized water sports. The Center will serve tourists from the Waves Beach Resort, the Blue Surf Resort, and the Blue Lagoon Hotel on Baby Beach.

Location: Centrally located between the Waves Beach Resort, and the Blue Surf Resort.

Project rationale: Business opportunity for local entrepreneur.

Project: San Nicolas Golf Club



Upgrade old Aruba Golf Club at Sabana Serbette to a grass 9-hole course (now 11 hole). Provide electricity, water and treated sewage.

Project rationale: To provide this recreational sport facility to the communities of San Nicolas, Seroe Colorado, Savaneta, and Pos Chiquito.

SEROE COLORADO: Baby Beach, Rodgers Beach, Colorado Point Bay

*Note: Need to extend San Nicolas bus route to service Baby Beach, Rodgers Beach, and Seroe Colorado residential.

Project: Refurbish Seroe Colorado residential housing

It is recommended that this former Lago colony be developed as a township. Seroe Colorado has the feel of a small Mediterranean coastal town overlooking the sea. Many of the homes have fallen into disrepair and should be refurbished and sold to prospective residents.

Project: Colorado Retirement Condominiums



Colorado Condos will be located in Seroe Colorado town.

Project rationale: Retired foreigners are an excellent and stable source of revenue to the Island. The 50+ age group constitutes approximately 30% of visitors to Aruba. In the US, seniors (65+) control 48% of discretionary spending. Their net worth is 5 times that of other Americans. They are more likely to consider retirement to a foreign destination like Aruba because it is English speaking, clean and orderly, with locals who are familiar with the American idiom and currency. With plenty of leisure time and disposable income makes this segment a very attractive target for Aruba. The excellent medical facilities in Aruba would make retirement feasible to this group, which in turn would grow the medical sector. Retirees could contribute to the economy of Aruba through their strong buying power.

Project: Colorado Hills Hotel (**)**



Colorado Hills Hotel is a small 20-room hotel for Seroe Colorado to serve vacation and business travelers.

Location: Within Seroe Colorado Town.

Rationale: This will provide business opportunities, and employment, and a non-tourist environment for the small business traveler.

Project: Colorado Mini-Mall and other area services

There will be a need for limited shopping and other facilities to serve the Seroe Colorado community. These might include a provisions store, a pharmacy, postal and bill payment booth. It is anticipated that along the front (First Avenue), boutiques, hairdressers, and cafes are likely to spring up. Centrally located in Seroe Colorado, or along the front where boutiques and cafes are likely to spring up. As the area develops into a viable community, so will a concomitant demand for close-by facilities.

Project: 'Rodgers Beach Marina'



A few boats are currently anchored at Rodgers Beach, and this is an excellent site for a substantial Marina. This would serve San Nicolas and Seroe Colorado residents.

Project rationale: This is a locally used narrow strip of attractive sandy beach, but with an unsightly view of the oil refinery. The beach is not suitable for hotel development, because of odor and pollution issues. However, it can be turned to good use bringing business opportunities, employment, and revenues to the site. It also

brings a holiday/recreation ambience to Rodgers beach, and customers to the area businesses.

Project: Marina Restaurant and Sports Bar

The old Esso Club is being used for a souvenir shop, but better use could be made of this facility. Adjacent to the Marina, should be a good surf and turf restaurant, sports bar, souvenir shop, fishing and boating supply shop, and coffee bar. Also, possibility of creating a small public sports facility behind Esso Club. Could refurbish old Club tennis courts. Create basketball court, mini-golf putting course; build public restrooms with food vending machines. This could bring more people to beach area, to provide more facilities for growing Seroe Colorado town community

Location: On the site of the old Esso Club

Project: ‘Golden Dunes Resort’ (*)**



Golden Dunes Resort is a 100 rooms hotel proposed for Colorado Point Bay. This is built near between Baby Beach and the ‘pet cemetery’ to the east.

Rationale: To use the south beaches. To attract new tourist segments, to diversify Island accommodations, to increase employment and business opportunities.

Project: 'Blue Lagoon' (**)**



Blue Lagoon is a 200-room family resort hotel. Low-rise to 3 stories, the building is set back against the cliffs away from Baby Beach Lagoon.

Location: Baby Beach: this is a popular reef enclosed lagoon. There are no waves, and it is shallow making it suitable for children. The water is clear, with a clean white sand beach. Currently

used by locals, and some tourists. Snorkeling on reef. Needs more tree shade/landscaping.

Project rationale: In the interests of controlled, and staggered hotel room expansion, and product diversification to target niche markets, we propose some smaller hotel projects for San Nicolas. At least 200 rooms will be needed to ‘kick start’ tourism-led entrepreneurial activity in San Nicolas, Seroe Colorado and environs.

Preamble to Focus Groups

Aruba is widely recognized as a premier destination in the Caribbean. This success is attributed to Aruba's natural endowment of "sun, sand, and sea" which it shares with many competing resorts, and her exceptional reputation as a friendly, secure destination. Arubans enjoy high living standards, enviable welfare services and public security. This has enabled the Island to succeed in a dynamic, competitive global tourism industry that is generally vulnerable to downswings arising from economic depressions and political turmoil overseas.

After 50 years of tourism, Aruba is rapidly approaching its carrying capacity in terms of its ability to support a continued growth of tourism and population, and maintain its cultural and environmental heritage. Rapid expansion of the industry has accelerated population growth, and led to urban sprawl and erosion of the Island's natural landscape, especially around the Tourism Corridor and Oranjestad.

The first Aruba National Tourism Conference in July 2002 brought the public and the private sectors in together to address these issues and to create a new Framework for tourism that would protect and maintain the Island's future as a prime Caribbean destination.

- A continuing collaborative public-private partnership is essential if the island is to continue to improve the quality and training in the industry and maintain safety and security for both residents and tourists.
- The Island must adopt a strategic approach to managing the Island's tourism industry in order to maintain high levels of income, reduce short-term instabilities, limit urban sprawl, and ensure long-run sustainability.
- The Framework must balance short, medium, and long-run interests and possibilities. It must be based on discussion of all identifiable needs, possibilities, and alternatives and the interests of the community as a whole.

The Framework requires that tourism should be managed as a strategic asset in the interests of the Aruban community as a whole. Given the limited size of the Island in terms of geographic area, beaches and wilderness, and potential sites for tourism, future expansion of the industry should be paced to meet the needs of Arubans. The recommendation is made that the total level of tourist accommodation should not rise to more than about 12,000 rooms over the next 40 years - on average, no more than 50-100 rooms to be opened each year. This will provide full employment of the resident labor force and also improve the situation of public finance.

The preference is for small boutique style hotels to improve opportunities for local involvement that will better reflect and protect Aruba's culture, heritage, and environment. New tourism products also will improve economic stability by complementing the present visitor base, accommodation and attractions.

The proposed Framework will prepare for the future through initiation, growth, and maturation of tourist products in a planned sequence across the principal regions of the Island. Regional diversification will make better use of Aruba's tourism potential through a variety of new tourism products and projects and the improvement and consolidation of existing tourism products in the present Tourism Corridor. This will help to control the direct and indirect burden of tourism activities on already intensively developed areas, and from over-encroachment on the Island's natural environment.

In order to identify Island-wide, community, and individual interests and expectations, a number of key questions need to be addressed by all people likely to be affected by the proposals.

Island-wide Issues and Questions

How should Aruba balance the needs of tourists with the needs of residents

What aspects of Aruba's heritage, culture, and environment must be retained

Community-wide Issues and Questions

How can our culture and heritage be better reflected by tourism

What resources and support are needed to achieve this

Individual Issues and Questions

How to balance the needs of people most affected by new development (those living close by) with local and Island-wide needs.

What training is needed/will be available for individuals to take advantage of the new developments

APPENDIX A.

A. TOURISM TRENDS, FORECASTS, AND RESORT LIFE CYCLES

The 40-year time horizon selected for the present study has been chosen to demonstrate the interaction between tourism, population growth and the geographic limitations of the Island. Within this timeframe there are likely to be many changes in the tourism industry – ranging from virtual tourism, robot-operated hotels, space tourism, and as yet unanticipated products. Forecasting, in a predictive sense, over this timeframe is not possible. On the other hand it is quite reasonable to explore the possible outcomes of observable related trends and events. Forecasts and scenarios, such as those developed in this report, and conceptual models, such as the ubiquitous “resort life cycle” model provide valuable tools for understanding future trends. The trend extrapolations for world and regional trends of international tourism organizations and other agencies also are useful provided the underlying assumptions are well understood. In particular, the high levels of aggregation of these forecasts, or other biases, can be confusing.¹ This section evaluates the relevance of the Caribbean region trends and forecasts for tourism in Aruba, and explains the role of the resort life cycle as an underpinning for the framework developed in this report.

A.1. CTO Forecasts for Tourism Growth in the Caribbean

International organizations, the WTO (World Tourism Organization), CTO (Caribbean Tourism Organization), and WTTC (World Travel and Tourism Council), and international consultants all prepare forecasts of tourism growth over varying timescales. International visitor arrivals worldwide grew by 4.3% from 1990-2000.² Over the same period Caribbean tourism expanded more slowly at about 3.1% annually. Despite recent setbacks the WTO expect this expansion to continue and forecast that international travel will increase by 4.1% annually for the period 2000-2020. The WTTC also expects tourism to recover and grow at

¹ See Beach, W. et al. 1999. How reliable are IMF Economic Forecasts? Heritage Foundation, Washington. No. 99-05. See also Cole, S. 1986. World Economy Forecasts and the International Agencies. International Studies Quarterly.

² WTO. 2000.

its historic pace, possibly slowing towards 2012.³ Since forecasting for any economic activity over two decades is a challenging exercise, it is important to have a sense of the possible uncertainty, as well as the actual forecast. As a guide here it is useful to compare the trend for 1990-2000 with forecasts made a decade earlier. For example, the WTTC forecasts worldwide tourism would expand by about 8% annually from 1994 to 2005, about double what eventually transpired. Caribbean tourism was expected to expand by about 3.5%.⁴ This more modest forecast was based on the realization that tourism in many Caribbean islands was relatively mature and that many new destinations were opening in other parts of the world.

Both the WTO (2003) and the CTO (2002) make forecasts for tourism growth over the near term.⁵ There are also a number of longer-term outlooks for tourism as a whole. Both are obviously important to detailed planning of tourism in Aruba. Expectation for tourism in the near term affects the possibilities for an easy transition from the present pattern of tourism development in Aruba towards the strategy proposed in this report. Similarly, the opportunity of achieving long-run goals depends, in part, on the growth of tourism demand worldwide, and to the Caribbean region. Moreover, a vital part of developing the tourism framework for Aruba is to enable the industry to be more robust to unforeseen events such as SARS and 9/11, or irregular and cyclical events such as recessions and international conflicts.

For the recent past the WTO (2003) makes clear that the period since 9/11 has been one of uncertainty due to the combination of fear of terrorism and the looming Iraq conflict, subsequently made worse by the emergence of SARS. In the near term, for example, according to the WTO, “The Caribbean is showing clear signs of resurgence, although not equally shared by all destinations”. In reflecting on the slowdown, the CTO observes that on the basis of past experience tourism has proved to be very resilient with a tendency for visitors to postpone rather than cancel travel arrangements. The CTO note that in the wake

³ World Travel and Tourism Council. Executive Summary. 2002.

⁴ World Travel and Tourism Council (1993) Travel and Tourism: A New Economic Perspective.

⁵ WTO World Tourism Barometer www.world-tourism.org.

of 9/11 Caribbean destinations are speeding improvements to product enhancement, safety and security, marketing and promotion, and public-private partnership. With many islands, including Aruba, adopting the same measures, success will depend on the dedication and effectiveness of their respective efforts.

The WTO and CTO forecasts offer little guidance for growth trends over the timescale needed to assess the effects of a new tourism strategy on sustainability. For the medium-run, the CTO projects an average growth of tourism in the Caribbean of 4.5% annually with the number of visitors rising from 20.3 million in 2000 to 31.5 million in 2010.⁶ To the extent that Aruba is sharing in this recovery, occupancy rates in existing properties should begin to recover. A delay in recovering from the present downturn, could delay the start-date for the new strategy.⁷

A.2. Trends and Targets

Most international and national entities measure “success” in tourism performance in terms of the growth rate in arrivals as so much percent increase each year. Such targets may be reasonable in the early years of tourism development when striving to achieve the threshold required to attract airlines, scale economies in infrastructure, or agglomeration effects (when several similar activities, such as restaurants, in close proximity collectively enhance the attractiveness of a resort). They are less reasonable for maturing resorts, especially when the pace of growth is not warranted in terms of local needs or when the carrying capacity of the island is in sight. The perceived need to maintain market share or improve growth rates each year creates targets that are beyond the needs or reasonable expectations of maturing resorts.

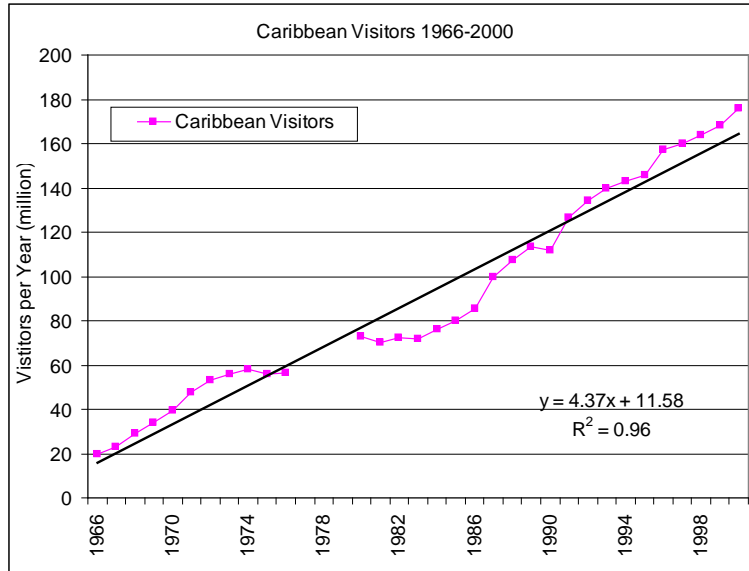
Over the last 50 years, growth in the number of arrivals to Caribbean destinations as a whole appears to have grown at a pace that appears to be linear rather than exponential, as would

⁶ Sobers A. 2002. Tourism Trends in the Caribbean. CTO.

⁷ So long as occupancy and REPAR remain depressed there are obviously some risks associated with opening a significant new accommodation. For example, insofar as present unemployment on the Island is temporary unemployment in the tourism sector, this may well be re-absorbed by existing activities once tourism recovers.

be implied by extrapolation of steady growth.⁸ This is shown by Figure A.1. which shows that the long-run trend since 1960s is “explained” well by steady year-on-year increases.

Figure A.1. Total Arrivals to Caribbean Destinations (1966-2000)



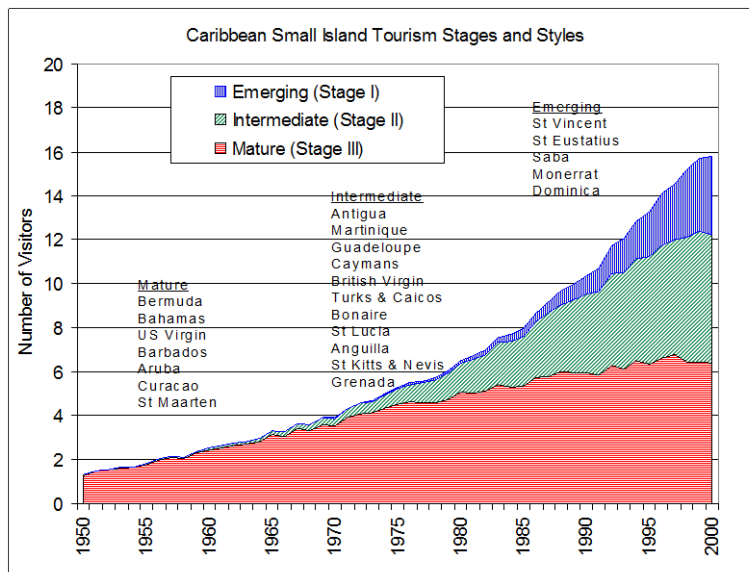
An explanation of this trajectory comes from considering the region to comprise a succession of resorts at varying stages of their resort life cycle. (This theory is discussed in more detail below.) McElroy and Albuquerque, in particular see Aruba as a “Mature” destination, together with islands such as Bermuda, the Bahamas, Barbados, St Marten, and Curacao. Other islands, including Antigua, Martinique, Guadeloupe, and the Caymans are counted as “Intermediate” destinations in terms of their life cycle, while St Vincent, St Eustatius, Saba, and Dominica are “Emerging” destinations. This is illustrated in Figure A.2. In so far as each resort follows a life cycle, then for the early years of tourism, the combined growth trend for the Caribbean as a whole should be exponential, reflecting the initial rapid

⁸ Time series over this time period for many islands, even for the Caribbean as a whole, are not available.

growth of the now mature destinations. In the later years, with more destinations available, the trend is far slower and depends mainly on the pace of introduction of new destinations.⁹

Figure A.3. illustrates this assertion. The trend shown assumes that the number of destinations in the Caribbean has risen from about 5-6 in the 1950’s to about 35-40 in total today and that the growth of each destination follows its own distinct life cycle up to its capacity.¹⁰ Combined together the two processes – the growth of destinations and the growth of capacity within individual destinations – lead to an overall trend that approximates to the growth shown in Figure A.2. Thus, long-term growth rate is more a reflection of the number of new resorts entering the market than the growth of tourism at existing destinations. Inevitably, in this case all resorts eventually fall behind the average in terms of growth of arrivals, although this does not mean that they are under-performing in terms of the needs of the resort’s population.

Figure A.2. Emerging, Intermediate, and Mature Destinations in the Caribbean



⁹ This begs the question of what is a “resort”. The statistics are usually provided on a country basis except for continental destinations such as Cancun. Although some islands, including Aruba, might be considered to host several resorts, this does not undermine the general argument made here.

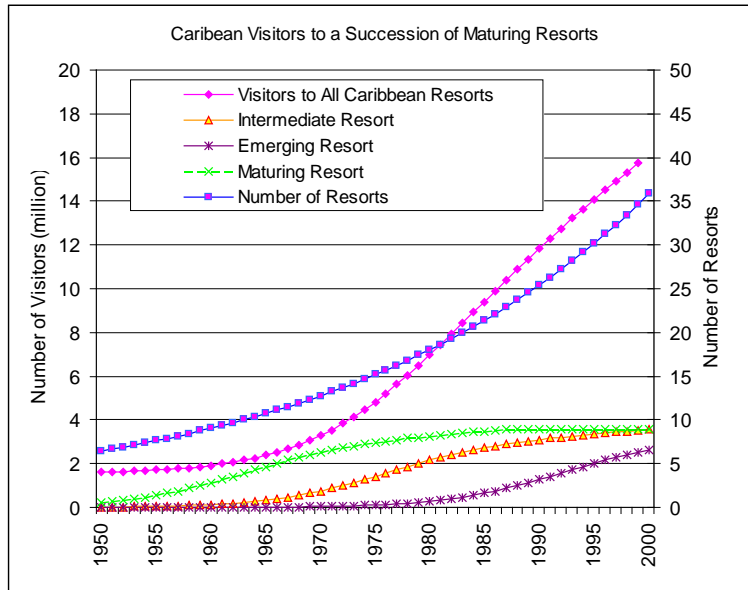
¹⁰ This is the typical number of Caribbean destinations listed by the CTO, tour operators, and other sources. For this schematic calculation the number of resorts was assumed to growth at a 3% annual rate and each resort was assumed to have a capacity of about 5% of the present total arrivals to the Caribbean. The figure shows the life cycles of three resorts only representing those that are currently mature, intermediate, and emerging.

To the extent that tourism growth is propelled by a “build it and they will come” approach - as during much of the 1990s – the pace of growth was supply driven by the investor and public decisions to open new destinations, and effective marketing. Growth is demand-driven to the extent that vacationing depends on demographics, aspirations, and disposable income in home markets. A high growth in demand is likely to speed up growth in emerging and intermediate resorts, and initiate new destinations, but may do little for growth within mature destinations such as Aruba.¹¹

In the light of this finding, it is not clear whether a given resort benefits from a high pace of growth of tourism overall, or a slower overall growth. It suggests that in considering the framework for tourism in Aruba, long-run growth expectations should be de-linked from growth of Caribbean. This is not to say that the information provided by the CTO and other organizations or their forecasts of future developments are not invaluable to Aruba. Rather, that overall growth rates for tourism in other islands, the region, or the world at large, should not be seen as challenge for Aruba to meet or surpass. The Island should base its expansion on Aruban needs.

¹¹ For example, the Caribbean Development Bank study *The Economic Impact of Tourism on Selected CDB Borrowing Member Countries* (1993) observed that the tourism sector in the Caribbean is expected to grow at half the worldwide rate. However, the growth rate for the Caribbean reflects both emerging and maturing tourism markets. For countries that are just on the brink of expansion the expected increase may be much greater than that for the Caribbean region as a whole.

Figure A.3. Compounding Growth of Resorts and Growth within Resorts



A.3. ATA Short-Run Goals (2003-2005)

The goals set for tourism by ATA in its Marketing Plan for 2003 (p11) are that visitor growth should increase by 1%, and spending growth per tourist by 2%. The objectives up to 2005 are to ensure that the average year round occupancy is at least 75% and that the industry should further diversify the distribution of arrivals by geographic origin and season. Although these are short-run goals for the next two years, they are consistent with the long-run growth suggested for the new framework.

The 1% growth target of ATA may be a sensible short-run goal, given the present uncertainties in international tourism demand in the wake of 9/11, SARS, and the continuing Iraq war and concerns about international terrorism. The WTO ¹² expects international tourism to recover in all regions, including the Caribbean. However, this “moderate optimism” is based on the expectation of a gradual improvement in economic conditions, reduction in uncertainty as a result of a relaxation of international tensions, and the waning of SARS.

¹² WTO World Tourism Barometer, June, 2003.

It is not clear however, that the marketing goals can be reconciled fully with present developments on the Island. Occupancy in 2002 averaged 70.5%, so even if accommodation remained steady the occupancy goal of 75% would not be reached until well beyond 2005 should visitor arrivals increase only by 1% annually. This apart according to ATA and other sources, between 1000 and 2000 new hotel rooms are scheduled to open over the next 2 years. This represents an increase in hotel stock of between 15 and 30%. Clearly if all this new accommodation becomes available this is likely to exert strong downward pressure on average occupancy. This suggests both the need for considerable marketing efforts, over the next few years to maintain occupancy, and caution with respect to the construction of new accommodation.

A.4. Changes in the Hospitality Industry

Studies such as the Hospitality 2000: A View to the Next Millennium, provide some clues as to the context within which the tourism industry may evolve over an unspecified number of decades.¹³ Although the Hospitality 2000 study was primarily aimed at executives in the industry rather than resorts, it offers clues as to trends that resorts must adjust to.

Technology and Products:

Traditional "marketplace" of destinations, neighborhoods and hotel buildings will be greatly expanded to incorporate virtual, customer-focused activities to be known as the "marketspace". The 21st century will bring the era of the fully automated hotel, connecting the customer to many diverse products and services offered by many providers.

¹³ Arthur Andersen and New York University. 1996. Hospitality 2000: A View to the Next Millennium to identified major trends and strategic issues that will shape the international hospitality industry of the future. 500 CEOs, corporate executives, and general managers based in three regions: the Americas; Asia/Pacific; and Europe, the Middle East, India and Africa examined five key areas the market, products, organization, capital and technology.

Lifestyle and Demography:

Globalization of world business and lifestyles, and the growing number of international travelers as well as Lifestyle and Demographic changes will determine market trends, but with significant regional differences. Location will continue to be the most important influence on the customer's purchase decision, followed by service quality. Visitors will be more discerning - the era of "build it and they will come" is over.

Organization and Consolidation:

Consumer and investor preference for branded hospitality companies will continue to drive the growth of franchising which will become dominated by a few multi-branded conglomerates relying on international growth.¹⁴

The strategy developed in this report takes account of these trends, in addition to the visitor, environmental, regional, and cultural possibilities and needs of the Island.¹⁵

Several recent studies of the tourism industry emphasize that changes in visitor interests are influencing development patterns in the Caribbean region. Of special importance for the proposed framework for tourism in Aruba is visitors' interest in gaining deeper and more authentic experiences of the destinations they visit. This includes exploring and learning about the destination, participating in events, preferring authenticity in heritage and natural experiences, and experiencing a destination's culture. The traditional emphasis of tourism development, focusing on properties, is broadening to include a much greater range of activities in the destination, from heritage attractions to festivals and culture. Table A.1.

¹⁴ The process of consolidation essentially continues a trend begun in the 1960s when the shift from individual travel to package tours enabled tour operators and airlines to exert considerable control over the fortunes of individual resorts. Since then there has been consolidation with both vertical and horizontal integration in all these components of the industry. This involved international expansion, and sales and marketing programs, and an organization structure that facilitated global delivery with local operational control.

¹⁵ Of the many new products that will be introduced some, such as super-sized cruise liners will affect Aruba directly. Others, such as space tourism will have negligible impacts.

based on the Caribbean Development Bank illustrates how changes in visitor markets are impacting developments in resorts across the Caribbean.¹⁶

Table A.1. The Impact of Changing Markets on Tourism in the Caribbean

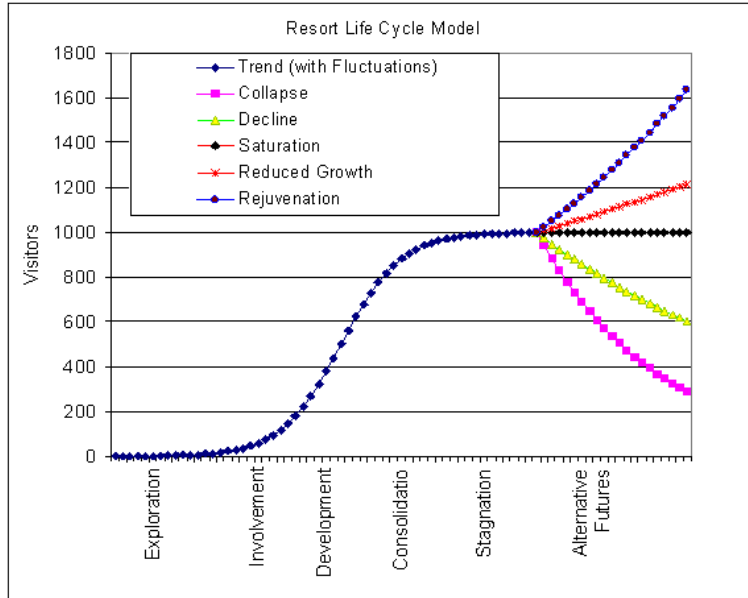
Changing Demands	Changing Supply
<u>Leisure time</u> : Rising influence has, in the past, brought with it increases in the amount of free time.	<u>Resort tourism</u> : Increasing affluence, together with cheaper air travel is driving resort tourism oriented to couples, and a recreational ‘sun, sea and sand’ experience.
<u>Travel motivations</u> : Visitors are increasingly selective seeking destinations of particular interest offering an ‘active learning’ experience.	<u>Destination vacations</u> : A redefinition of leisure experiences and destination development emphasizes diversity and caters to consumer interest.
<u>Lifestyle values</u> : New lifestyles influence leisure and tourism choices, for example, the ‘green’ movement and concern about the impact of tourism on the physical and social environment.	<u>Eco-tourism</u> : Destinations increasingly offer active vacations focused primarily on adventure product (e.g. mountain trekking, river rafting), again experiencing the natural and scenic resources of the destination.
<u>Demographics</u> : Life-stage demographics are shaping consumer priorities as well and tourism and travel.	<u>Culture and heritage</u> : A rapidly growing tourism sector, especially for older, more educated, tourists interested in learning about the places they visit.

A.5. Resort Life Cycles

The resort life cycle model, referred to above, is the most widely discussed conceptual framework for considering the growth and maturation of tourist destinations (see especially Pearce, 1989; Wilkinson, 1997). The most-cited version of the theory, due to Butler (1980) identified successive stages in a resort’s development – exploration, involvement, development, consolidation, stagnation, and then rejuvenation or decline. Over the life cycle, the most commonly available statistics - number of visitors and number of rooms - follows a roughly S-shaped trajectory. This is illustrated in [Figure A.4](#).

¹⁶ A Study to Assess the Economic Impact of Tourism on Selected CDB Borrowing Member Countries. ARA, Systems Caribbean, Ione Marshall, KPMG. May 1996. Caribbean Development Bank.

Figure A.4. The Resort Life Cycle and its Aftermath



This S-shaped path appears to have to have some empirical generality.¹⁷ In relation to Butler’s time-line for the resort life cycle phenomenon, tourism in Aruba had a rather short exploratory phase beginning in the 1950’s, a drawn out involvement phase from 1960 to 1980, followed by stagnation. At this time some commentators questioned whether tourism in Aruba might not already have matured. Following the shutdown of Lago in 1985, tourism then was rejuvenated at considerable public cost, before slowing after 1993 to its present somewhat liminal condition.

Competing interpretations of the underlying causes of life cycle place different emphasis on physical, market, institutional, and developmental variables (see Table A.2). They also differ in their assessment of the life cycle phenomenon as a starting point for planning, much less

¹⁷ For the Caribbean, Wilkinson (1987), de Albuquerque and McElroy (1992), and also Butler (1993) provide illustrative case studies. Wilkinson (1987) tested the model against four islands - Antigua, St. Lucia, US Virgin Islands, and Aruba – confirming an evolutionary fit, at least up to the latter stages. Albuquerque and McElroy (1992) classify 23 Caribbean resorts into their three stages of emergence, transition, and maturity. Butler (1993) compared several islands showing that, for example, Cuba was already a mature destination by the 1950’s while the Turks and Caicos had not yet reached the developmental phase.

as a suitable model of development. There is considerable discussion about to what degree and how a mature resort might succeed in rejuvenation.

Table A.2. Variants of the Resort Life Cycle Model

Butler (1980)	Thurot (1973)	De Albuquerque and McElroy (1989)
Supply Interpretation	Market Interpretation	Institutional Interpretation
Exploration: individual irregular visits	International class hotel and rich tourists.	Emergence: Low Density, Small Hotels, Local Control, Nature
Involvement: more regular visits, tourist facilities	Expansion of upper middle class visitors and hotel	Transition: Rapid Growth, Seasonal, Sports, European
Development: more elaborate facilities, increasing external control and marketing		
Consolidation: great dependence on tourism but slower growth	Mass tourism and loss of original identity	Maturity: Mass Market, Large Hotels, Gambling, Conventions, Americans
Stagnation: capacity exceeded leading to environmental, social, and economic problems		
Rejuvenation or Decline: attempts to introduce new products or face decline		Need an Alternative to the Mass Market Model

A general characteristic of resort life cycle theories is that the location (i.e. resort) is the primary “product”, as opposed to the delivered product (i.e. orientation of tourism), or the process for delivery (i.e. type of establishment). In general, these dimensions overlap. Most theories imply that the evolution of the market from explorer to mass market follows the progression in the style of accommodation from cottage industry to international all-

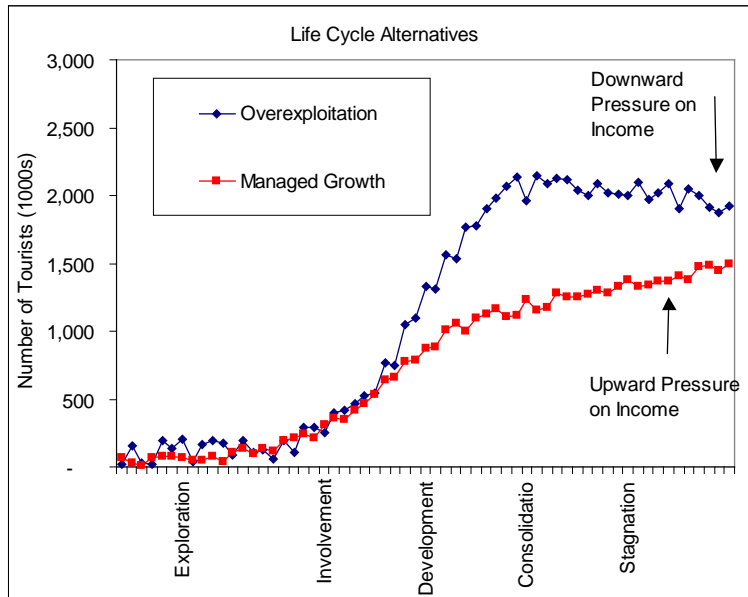
inclusive resort.¹⁸ However, in considering potential new directions for Aruba, it is useful to deconstruct some of these associations.

In some respects it is more useful to consider tourism in Aruba, and indeed tourism in general, to comprise a succession of overlapping product life cycles. As with other dynamic sectors, tourism has adopted and diffused a succession of technological, geographic, social, and institutional innovations.¹⁹ Collectively, the succeeding modes produce an envelope curve that implies increased competitiveness for innovating resorts or increased competition for others. In general, in this situation, the most profitable phase of development is whilst a product is in its “exclusive” phase. Insofar as it is possible to maintain this market condition, primarily through quality-enhancing improvements and by balancing supply and demand so as not to allow prices to fall overall, revenues will be enhanced. Conceptually [Figure A.4](#) illustrates the approach.

¹⁸ A dilemma for understanding tourism (or any other economic activity) is whether it is best considered as an S shaped curve (as implied by product life cycle) or a continuous process (i.e. steady improvements in productivity) or as a succession of product cycles that together lead to long-run continuous gains. With the last view, as each technology becomes “exhausted”, or out-competed, new technologies become dominant. With transportation, for example, the succession is foot, horse, canal, rail, auto, and aircraft. Because of their importance to economic systems as a whole, some technologies are deemed “core” technologies. For example, water, steam, oil, electricity, information, have powered successive industrial revolutions. Core technologies especially are associated with considerable restructuring of workplace, corporate, social, and political, as well as product and process innovations.

¹⁹ The model is widely used. For example, Hansen, E. and Owen, R. in *Evolving Technologies to Drive Competitive Advantage in the Hospitality Industry* (Arthur Andersen, 2000) observe that it is clear that emerging technologies drive unprecedented change in the way hotels operate and serve customers. The pace of change, however, has been so extreme as to leave many hotel operations uncertain about what types of technology to adopt. These authors use the notion of the technology life cycle to assess how and when companies will acquire new techniques.

Figure A.4. Managing Demand with Balanced Growth

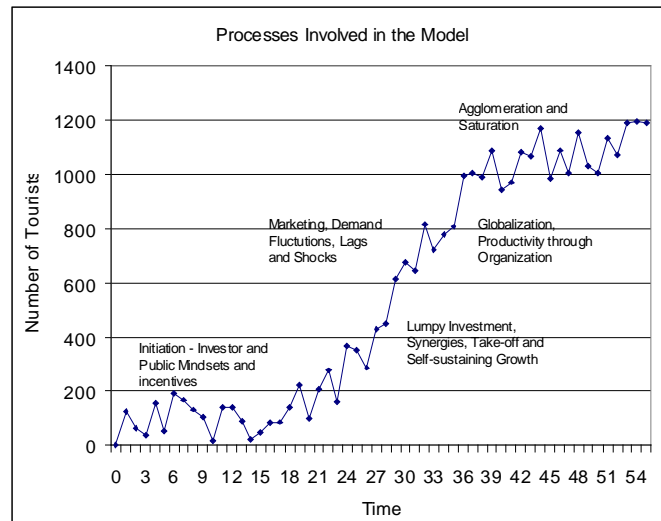


Rather, than allow the level of tourism to rise to a level that makes the Island unattractive to visitors, with inevitable stagnation and reduced income, the emphasis should be on balancing the pace of new construction and the Island’s marketing effort so as to maintain a deliberate condition of “under-supply”. This maintains an upward pressure on prices and also leaves more options for the Island to respond to future events and contingencies.

Whilst slowing the growth of tourism in Aruba might appear a daunting prospect, there really is no alternative given that the Island is approaching its geographic limits. The possibilities for achieving the goals of the strategy largely rest on Aruba’s reputation as a preferred destination and the confidence to recognize this asset. Slowing the pace of growth whilst improving the tourist experience will enhance Aruba as a restricted, highly desirable product for which visitors will pay a premium. Clearly the Island needs to develop some new products to ensure diversity, to make use of underused endowments, capture new markets, as well as to ensure that old products mature gracefully. Demand pressure has to be sufficient for the central goal of the tourism strategy – maintaining full employment – to be met.

The model described in Appendix B. draws heavily on the theories of the life cycle model shown in Table A.2. In addition to the items shown, several factors come together in Aruba; lumpiness of investment, delays in marketing and construction, distribution of expenditures between the local and overseas components of tourism, as well as specific capacity constraints. These factors and their approximate relation to the stages of the life cycle are indicated in Figure A.5. At least for the case of Aruba, the extended model offers an explanation for the differing timing of events and turning points between resorts, including the gap between the initial tourism ventures and the take-off to self-sustaining growth. It shows how the stages of growth in Aruba, as defined by the life-cycle model are the result of a combination of elements, the public policy and investor mindset, the scale of investment and transnational involvement.

Figure A.5. Factors Determining Aruba’s Tourism Development



APPENDIX B

B. A DYNAMIC MODEL OF TOURISM DEVELOPMENT IN ARUBA

B.1. The Need for a Systemic Understanding of Tourism Development in Aruba

Tourism development is often considered to be a very complicated process. It depends on so many factors: some are specific to a resort; others depend on the global tourism system. Some commentators consider that tourism may best be understood through the application of complexity theory implying that trends are in principle unpredictable.¹ Others explain tourism in terms of a “resort life cycle” that seek to explain the origins, growth, and maturation of tourist destinations.² While this concept appears to have general validity in that many resorts, including Aruba, exhibit life-cycle characteristics, it is insufficient to guide tourism planning. To create a sustainable tourism strategy for Aruba it is necessary to provide an understanding of how tourism develops in relation to other parts of a society and economy. In Aruba, for the near-term this means being able to estimate how many jobs, how much income and government revenue, or how much new immigration will be created by a particular project. For the long-run it is necessary to understand how policies today will play through into the future – whether a project is a temporary fix that will eventually backfire, or may be incorporated into a viable and sustainable long-term strategy.

The assertion here is that there is sufficient information about Aruba to develop a useful quantitative device for understanding how tourism functions in Aruba – for example, to explicate the relationship between specific policy and the level of tourism, or the choice of tourism projects and the consequences for population growth and sustainability, or how vulnerable the Island might be to an unexpected contingency. Essentially, this means

¹ Faulkner, B., and P. Valero. 2000. An integrative approach to tourism demand forecasting.

² For the Caribbean, Wilkinson (1987), de Albuquerque and McElroy (1992), and also Butler (1993) provide illustrative case studies for the Caribbean. Wilkinson (1987) tested the model against four Islands - Antigua, St. Lucia, US Virgin Islands, and Aruba.

bringing together information about past trends in the level and type of tourism in Aruba, trends in population growth and migration, new tourism products, specific policies with respect to tourism, recessions in tourist markets, and other defining events, such as lay-offs from the oil refinery. This has been done through a series of computer models – tourism, economy, and demography – that are then combined to show the interactions between variables. Even as a prototype, the model can help us to understand past policy successes and failures and how to avoid potential pitfalls in the future, and provide a means for evaluating alternative tourism strategies.³

The model shows that there is a fundamental dilemma with the style of tourism that has evolved in Aruba. This arises from three primary causes: 1) the large scale of increments to accommodation due to the style of hotels, 2) too few residents (Arubans and migrants) are qualified or willing to take up the jobs created directly or indirectly by tourism, and 3) the difficulty in raising public income from this style of tourism.

B.2. A Prototype Forecasting Model

This section describes assumptions used in the combined tourism-economy-population model. The model is used to project trends in Aruba from Year 2000 to 2045. The projections are based on past and current demographic and economic trends, and possible changes in tourism-related practice and policy. As it stands, the present model is a prototype that might be used as part of the overall tourism strategy framework to evaluate the various options and policies and the schedule for their implementation. Primarily, the model is used here to explore the long-run implications of alternative strategies for the tourism sector. This is illustrated through various scenarios. These scenarios are developed around different strategies which dictate when to construct hotels (in relation to indicators such as unemployment, occupancy, social needs), what type and size of accommodation to

³ Prior to the present study an effort was made to develop a formal theory of the life cycle of tourism in Aruba from 1950-2000. A draft was presented at the University of Aruba (May 2003) Globalization and the Dynamics of Tourism – A Comparison of Barbados and Aruba.

construct, the level (if any) of public support, policies about employment and residency of migrants, and so on. Here the focus is on describing the data and relationships in the model. These relationships are based on analysis available recent data (notably from the CBS, industry, and tourism organizations) and historic trends over 50 years of tourism in Aruba).

To make projections information on policies and trends in sectors that are not directly dependent on the tourism sector are required. A number of current Government of Aruba policy documents are used here. For example, the Ministry of Finance and Economic Affairs report Vision, Courage, and Discipline (hereafter, the Visions Report) outlines approaches to the diversification of the economy and revisions of the public revenue and spending. This report also stresses the importance of coordinating policy across government departments. The tourism strategy assumes that policy coordination will be achieved and that a similar cooperation will arise between public and private entities via the NTC - through agreement on the broad framework of a tourism strategy.

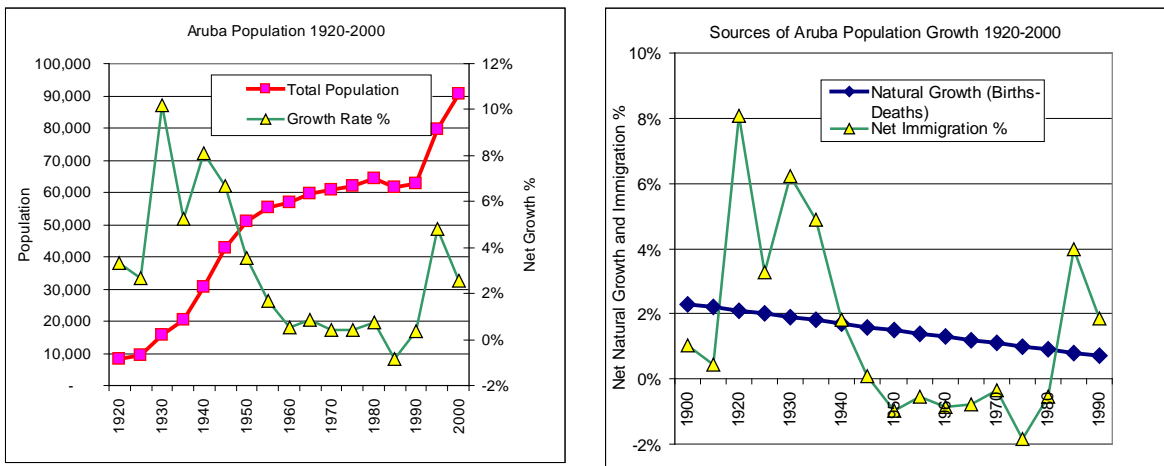
The Visions Report also recommends that policies and their impact be regularly monitored, evaluated, and adjusted. This also is entirely in line with the proposed tourism strategy, which uses principles of strategic asset management to develop a robust portfolio of tourism products consistent with Aruba's environmental, demographic, and social needs and opportunities. General and specific aspects of these possibilities are given in documents provided by the departments of education, social affairs, land use and environment, and tourism.

The primary focus here, however, is on understanding the tourism industry and its mutual relationship with the rest of the economy and the population of Aruba.

B.3. Demographic Trends and Structure

Figure 1 shows population trends from 1920 to 2000. Over the period, the population in Aruba has grown from around 10,000 to over 90,000. Much of this growth is due to two waves of immigration: the first and largest wave in the years 1930-1950 due to the opening and expansion of the Lago oil refinery; the second smaller wave driven by the rapid growth of tourism in the late 1980s and early 1990s. In the intervening period net migration was negative and more people left the Island than arrived. For a brief period after the closing of the refinery the total population declined. Over the entire period natural growth of the population (i.e. births minus deaths for the resident population) declined exhibiting the demographic transition that marks the modernization of societies.

Figure B.1. Population trends from 1920 to 2000



The demographic model is used to calculate the future trends in the size of the resident labor force and the number of dependent young and elderly in Aruba. A key requirement is to understand how different tourism strategies affect growth of these populations through immigration, settlement, and long-term residency. The model makes use of the historic data collected by successive Population Census as presented in CBS (1991, 2002); the categories

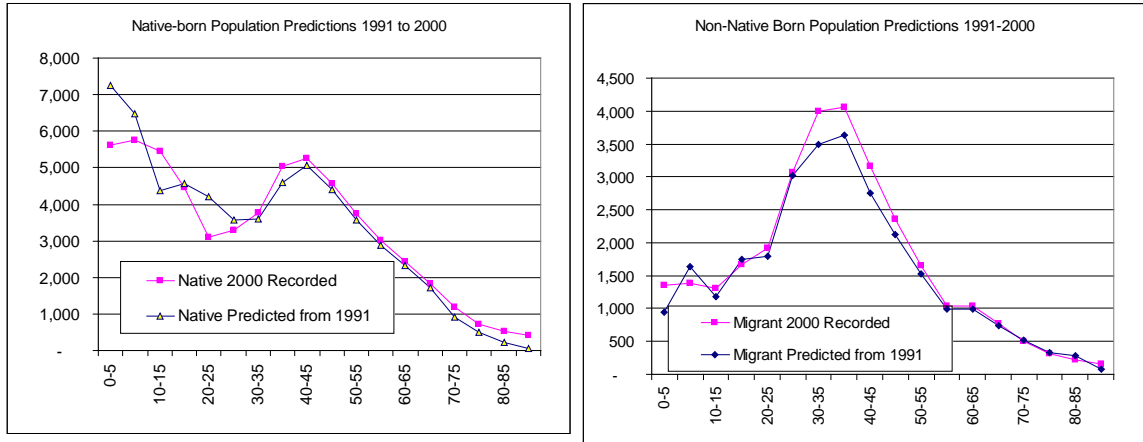
of population and estimated fertility, mortality, and employment rates are based on these data. The demographic structures (relative numbers of people by age) differ because the majority of migrants arrive as adults, whilst the native population is adjusting to the demographic transition, the post-war “baby boom”, and previous migrations. Since the relative contributions and needs of these populations are determined in part by their contrasting age structures it is necessary to forecast each separately. This computation is carried out using a demographic cohort model.⁴

The ability of the model to forecast over a ten-year horizon using current data is indicated below. Discrepancies arise for a variety of reasons: for migrants there are delays in registration of immigrants, births, and departures; for natives, there are no accurate records of the substantial number of students overseas or their return to Aruba. Such information is needed to improve demographic forecasts in general, and also to inform strategies aimed at improving the match between job creation and the resident labor force in Aruba. This said the errors do not lead to large uncertainties in predicted outcomes of the tourism strategies.⁵

⁴ This type of model is well-described in *Population in Aruba: Continuity and Change*, CBS. 2002).

⁵ A technical issue here is that the available annual population data are themselves the product of interpolation between decennial Census adjusted by somewhat erratically reported births, deaths, migration, and registrations.

**Figure B.2. Age Cohorts and Model Projections for Year 2000
(Native-Born and Migrant Populations)**



The resident population is subdivided by birthplace (native or migrant) each sub-divided into one-year age cohorts. These cohorts may then be re-combined (e.g. to infants, school age, working age, retirement age, and elderly). The most commonly used age categories used here are 0-14, 15-59, and 60+. To examine specific policy interventions, other population groupings are used - for example, to provide socially relevant indicators - such as the number of dependents relative to the number of employed persons, or the number of native and non- native children. Offspring of migrants in Aruba join the native-born labor force.

Typical population profiles for native and migrants calculated by the model are presented in Table B.1.

Table B.1. Population Calculation for Native-Born and Migrants

ARUBAN BORN	Age Group	Count
Native-Migrant	0-14	5,892
Native	0-14	10,953
Native-Local	15-59	36,233
Native	60+	6,846
Native Born	Total	59,924
BORN ELSEWHERE	Age Group	Count
Migrant	0-14	4,043
Migrant	15-59	22,933
Migrant	60+	2,906
Migrant	Total	29,882
Migrant	Resident over 10 years	18,760
Migrant	Resident under 10 years	11,122

The model takes account of settlement by migrants. Historically, about 30% of migrants leave the Island within two years, and about 50% settle long-term in Aruba. Again for purposes of definition here migrants are sub-divided into those who have been residents for over 10 years and less than 10 years. This is because in most respects migrants have a relatively secure status on the Island after 10 years.

Figure B.3. Aging of Native Population with no New Immigration

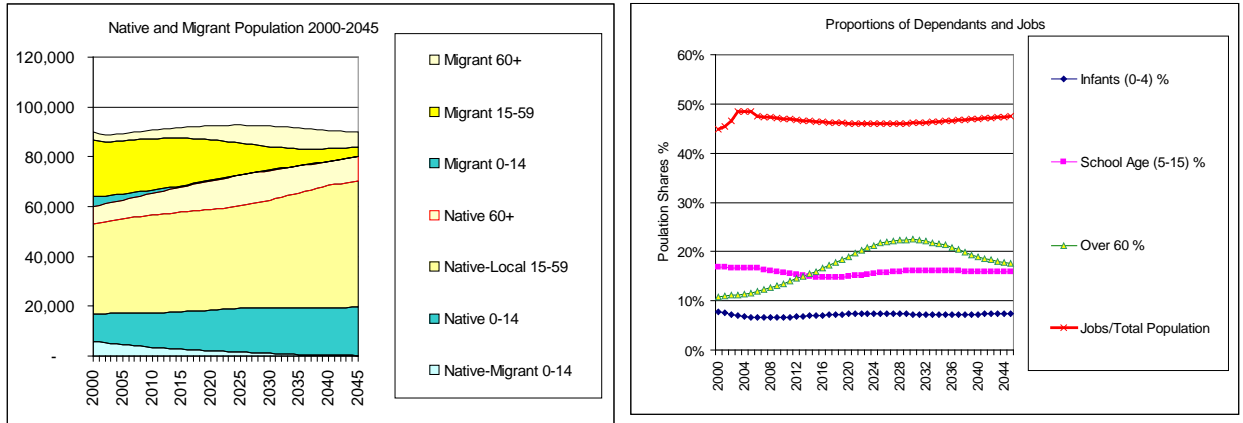


Figure B.3. shows projections of native born and migrant populations as of Year 2000 over a 45-year time horizon assuming no additional hotels are constructed or opened after 2003, and with no further net immigration. Because natural growth of the Aruban population (births minus deaths) is very low population levels off at below 95 thousand then falls as about half of the current migrant labor force departs the Island. This evolving age structure of the population and the share of dependents and workers relative to the total population are also shown.

Although about half of all immigrants eventually leave Aruba the remainder settle and often bring relatives or start families and become part of the established population. This is the primary cause of population growth in Aruba. Despite changes in policy, duration of stay and the proportion of migrants settling appear to have remained fairly steady over time. Nonetheless, the implications of immigration policy alternatives are explored.

B. 4. Non-Tourism Induced Employment

The starting point for calculating the new demand for labor in Aruba is the assumption that the economy is driven by tourism, and also by exports of other goods and services. The latter includes primarily oil and re-exports of various commodities. These activities are represented with minimal detail using aggregated parameters derived from the detailed Aruba input-output table and other sources.

Figure B.4. Trends in Earnings from Tourism and Other Exports

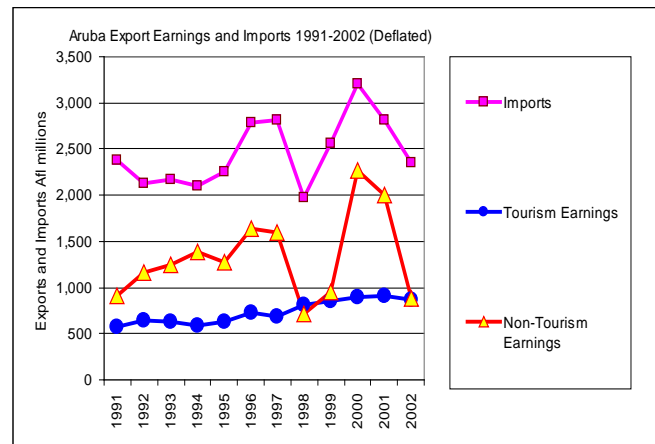


Figure B.4. shows recent trends in exports. Between 1990-2000 there was a modest growth averaging about 2.7% annually. Nonetheless the effects of recessions and business cycles are apparent; overall net earnings from non-tourism export are at least as volatile as those from tourism itself and equally difficult to predict or target. The National Development Plan (2000), for example, targeted an annual increase of 5% for the period 2000-2004, yet the trend has been sharply downwards since 2000. Re-exports of commodities especially have declined markedly in recent years and it is not clear whether this activity will recover, or whether the changes are business-cycle related or part of a long-run structural trend. In the future, there are bound to be similarly sizable variations in non-tourism export earnings and

the tourism strategy must – as far as possible - be adaptive to structural changes and responsive to contingencies and fluctuations. Specifically, the fortunes of the oil refinery must always be a factor in strategic thinking about the economy and hence tourism planning in Aruba. Tourism in Aruba originated as a response to layoffs from the Lago refinery. The current structural imbalances addressed by this plan are a direct result of the hotel construction precipitated by the policy reaction to the shutdown of Lago. The medium-term situation of the El Paso Coastal refinery remains undetermined, but its scheduled resale is bound to have implications for revenues, employment, and ultimately on the long-term future of the Island.⁶

For the projections presented here a steady growth in non-tourism earnings of 2.5% annually is assumed.⁷ Labor productivity in non-tourism activities is assumed to have annual improvement (output/worker) of 5%, increasing productivity by a factor of 2 by 2045. This figure for productivity improvement is somewhat above the rate suggested in Visions (2003 p10) but in line with anticipated international rates of productivity improvement. The job multiplier for non-tourism exports - the total number of jobs created through exports divided by the number direct jobs in this sector, is calculated from the 1995-2000 input output tables, in turn based on CBS National Accounts. This multiplier is assumed to remain constant over the entire period (recognizing that this will change according to future mix of exported goods and services). Given these working assumptions the jobs provided directly and indirectly through non-tourism exports are projected to fall steadily: between 2000 and

⁶ Another source of external income, development assistance from Holland is not included since this income has all but disappeared in recent years (from Afl 27.6 million in 1991 to Afl 2.0 million in 1999). If the projects in the tourism strategy become eligible for Dutch Development Cooperation that is available until 2010, this amount could be added into the investment and public sector finance balance as calculated by the model. In any case, some of the strategies suggested require a more explicit representation of public sector employment and productivity.

⁷ The Visions Report (2002) proposes that the Island extend activities in logistics and transportation, financial services, and the “knowledge” economy, through promotion of small businesses and other measures. To the extent that specific proposals with respect to these sectors are forthcoming, they should be incorporated into the tourism strategy since this will in part determine the labor force that can be recruited into tourism induced employment. Any success with diversification is likely to lead to improve the implementation of the tourism strategy through mutual skill creation, promotion of local entrepreneurs, downstream professional activities, and so on, leading to higher income retention in Aruba. Thus, a tourism strategy that builds on unique attributes of the Island may be used to drive the diversification strategy.

2045 the number of Non-Tourism Induced Jobs falls from 14,241 to 4,558. Thus, the main implication of the assumed export and productivity trends is that the non-tourism induced job loss may have to be compensated for by a growth in tourism-induced employment.

Table B.2. Jobs Induced by Non-Tourism Exports

Non-Tourism Jobs	Amount
Annual Productivity Increase	5%
Annual Growth of Exports	2.5%
Start of Year Jobs	14,241
End of Year Jobs	13,885
Net Jobs Created	-356

B.5. Past Policies and Alternative Tourism Strategies

The model is used to illustrate the implications of different tourism strategies. This involves representing the alternative possible rationales for expanding tourism - it is profitable to do so, to reduce unemployment, to reduce the public sector deficit, and so on) – as well as selecting the timing of new developments (in relation investment cycle, etc.), and the style of tourism (size of hotel or additions, luxury or economy, etc.). In the model these are represented as decision “rules” that operate each year as the population, economy, and number of visitors change. In effect, the rules reflect policies and priorities of tourism institutions. For present purposes a particular set of rules, combined with a particular style of tourism, constitutes a “strategy”. A particular strategy together with its outcome is a “scenario”.

Decision Rule 1:

Links hotel expansion to target occupancy levels, reflecting profitability criteria used by investors as well as recommendations by consultants to maintain occupancy levels (e.g. IDAS, 1981). In this alternative, the likelihood of investment in any year depends on, and is very sensitive to, assumptions about breakeven occupancy, target occupancy, investment per room, rates of return and discount horizons of investors for different classes of hotel. Depending on prevailing conditions, new investment in single or multiple years may be triggered by public subsidies to investors and operators or supporting infrastructure. This investment rule reflects past practice in Aruba, given the real-world complexity of tourism and its vulnerability to change. When combined with tourism-specific policy initiatives, this “explains” the long-run trends in Aruba tourism growth and occupancy remarkably well.

Decision Rule 2:

Allows for any arbitrary future growth rate for tourism, for example, an annual growth rate with random variations or cycles. This might reflect a traditional policy growth target (for example, to match or exceed Caribbean region trends as predicted by the CTO) or to explore possible consequences of external fluctuation and business cycles in visitor markets.

Decision Rule 3:

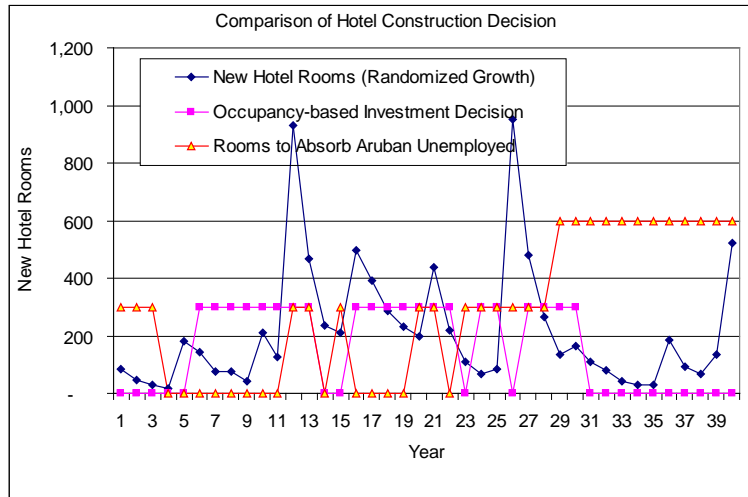
Matches the growth of new accommodation to the “natural” growth of the resident labor force in Aruba as determined by new entrants to the labor force and retirements. This match depends on current numbers of job seekers and chronic native and resident-migrant unemployed, the number of job-openings in different types of hotel, and the preparedness of residents to work in the tourist sector. This rule is the starting point for the new strategy proposed in this report.

Strategies based on the three rules will be demonstrated in the section of the report that deals specifically with alternative tourism strategies. Nonetheless it is relevant to indicate here how these contrasting rules can affect the level and timing of hotel construction over a

hypothetical 40-year period. Additions to room stock are based on the “average” 300-room hotel style in Aruba. For this comparison all other variables such as population levels, unemployment, and occupancy rates are fixed with intermittent breaks while the level of unemployed builds to the level that triggers new hotel construction.

The growth-targeted Rule 1 shows a fairly constant year-by-year addition to the number of hotel rooms. Variations depend primarily on fluctuations in visitor markets. The occupancy-investment Rule 2 leads to dramatic cycles of new hotel construction due to the “lumpiness” of large investment-intensive hotel projects. The unemployment-matching Rule 3 follows the labor force trends - a slight reduction in new entrants over the next few decades - as determined by the evolving age structure of the native population. These contrasting outcomes lead to correspondingly different patterns of migration.

Figure B.5. Consequences of Contrasting Decisions for Expanding Accommodation



B.6. Tourism Induced Employment

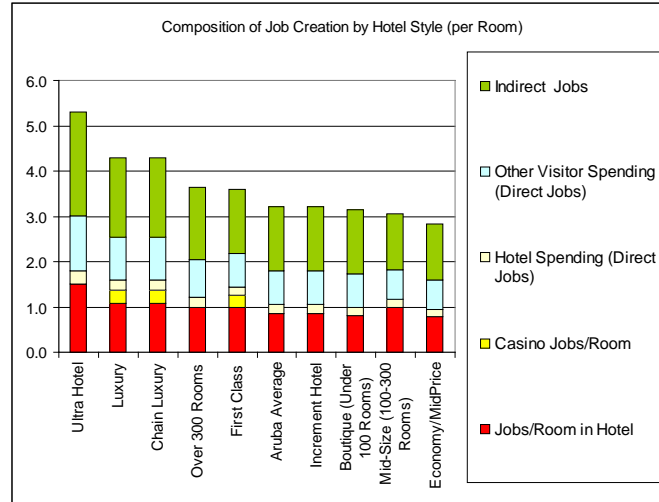
As distinct from non-tourism sectors, the parameters used for the tourism sector are set to reflect selected product mixes so that the implications for each of the above rules when combined with different styles of tourism may be explored. These styles are associated with distinctive types of accommodation, such as luxury and chain hotels, timeshare or all-inclusive; or different types of tourist, for example, prepaying or local paying, excitement seekers or sun-lovers; or new types of establishments and visitors, such as boutique and ultra-luxury hotels, retirement condominiums. A robust strategy must employ combinations of styles in an organized and calculated manner.

The parameters for each type of establishment or visitor depend on reported features of these establishments as determined from CBS business and tourism surveys, and on the macro-economic (input-output) model developed from the CBS National Accounts. Key variables here include the size of establishment, the annual increase in rooms (including additions to existing hotels), investment-related variables (indicated above), construction jobs per room, operational jobs per room, spending by visitors outside hotels, and employment multipliers. Differences in these variables across hotels have a marked effect on the short and long run trajectories of the model.

For an “average” hotel in Aruba the number of permanent jobs per hotel room is .88 with an employment multiplier of 3.73. These figures vary from 0.5 to 2.0 and from 3.1 to 4.0 respectively for the various types of available accommodation. The estimated total number of jobs associated with the addition of a single new hotel room varies from 3.1 to 5.3 depending on the type of visitor and type of hotel. Clearly, the style of hotel becomes an important variable in the outcome of different alternatives. Tourism growth scenarios might see the number of hotel (and other accommodation) rooms rising from the present 6,546 to as few as 8,000 after 40 years, or as many as 20,000. Total employment induced by tourism

could rise from the current 26,000 jobs to as few as 30,000 jobs or as many as 50,000, obviously with very different implications for population and the economy.

Figure B.6. Jobs Creation by Style of Tourism (as defined by hotel type)



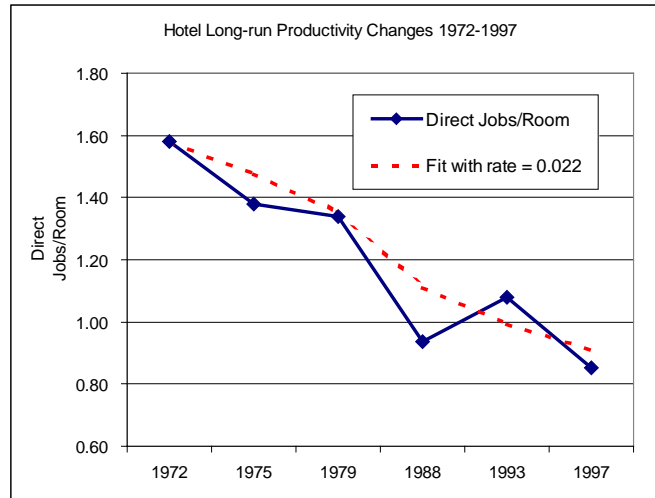
The average number of construction jobs per hotel room is 1.34 per year with an employment multiplier of 2.26. Again, there are variations depending on the style of hotel and the possibility of using local workers and business in its construction. Over a period of 2 years, this provides temporary construction jobs and downstream jobs depending on the number of new hotels begun and hotels opened each year.

B.7. Tourism Sector Labor Productivity

Between 1965 and 2000 the average number of workers per room in hotels in Aruba declined by an average of 2.2% annually from 1.58 to 0.85. This trend is fairly uniform across all types of hotel (high rise, low rise, timeshare, with and without casinos). This appears to arise from an average annual increase in labor productivity (i.e. a reduction in labor inputs that provides a given quantity of output at constant quality), rather than from a

change in the mix of products, but could also result from a resort-wide decline in product quality.⁸ For purposes of comparison between decision rules this trend is assumed to continue uniformly for the next 40 years, once more halving average employment per room.

Figure 7.B. Long-Run Productivity Improvements in Hotels (Jobs/Room)



A typical annual calculation for job creation appears as follows. Over the year 338 jobs are lost from productivity-induced layoffs in sectors driven by non-tourism exports. The opening of a new 340 room hotel results in layoffs of construction workers and new employment of hotel workers, plus jobs from other visitor spending, and the economy-wide multiplier effects. Comparing the net number of new jobs with the current level of employment gives the current excess demand for labor: in this case there are 2,000 new job openings.

⁸ This deserves some additional attention given that some commentators consider the only common denominator when measuring the quality of accommodation is the number of workers per room – a possible implication here being that the quality of tourism in Aruba is falling steadily.

Table B.3. Calculation of Jobs Induced through Additions to Hotel Accommodation

JOBS OR ROOMS	AMOUNT
Total Non-Tourism Induced Jobs	13,200
New Non-Tourism Induced Jobs	-338
New Units Opened	340
Total Hotel Rooms	6,892
Net Temporary Construction Jobs	544
New Tourism Induced Jobs	1,570
Total Tourism Induced Jobs	27,496
Total Jobs (End Current Year)	41,852
Labor Force (Start Current Year)	39,852
Excess Demand for Labor	2,000

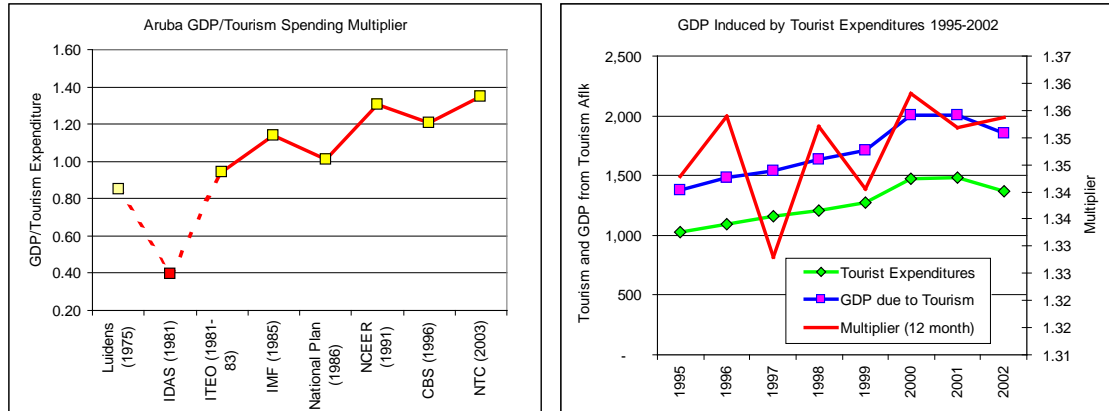
B.8. Tourism Multipliers and Downstream Spending

The above discussion has indicated the importance of long run-productivity enhancement and increasing linkages between the tourism sector and the rest of the economy to raise the total amount of income generated on the Island relative to a given amount of tourist spending. This is measured as the tourism-GDP multiplier as calculated using a macro-economic model of the Aruban economy.⁹ On average, a dollar of tourist spending leads to about \$1.35 of value added. The size of this multiplier depends on the characteristics of individual hotels – the share of their construction and operational requirements that are purchased locally, the amount of taxes paid, the proportion of long-term residents employed, and so on. As a matter of strategy it makes sense to increase this multiplier through import

⁹ This is defined as the ratio of the amount of Aruba's GDP that may be attributed to tourism divided by tourist spending. An input-output table calculates how the income is divided between different types of households, businesses, revenues etc.

substitution and labor recruitment, although this has to be balanced against the possible deleterious consequences for product price competitiveness and quality.

Figure B.8. Trends in Linkages with Rest of Economy Based on Tourism/GDP Multipliers



To the extent that past studies of tourism in Aruba can be compared it appears that the tourism-GDP multiplier has increased steadily over the last decades from around 0.85 in 1975 to about 1.36 in 2000, an average long-run rate of approximately 1.5% annually. This is significant since it implies that Aruba is increasing the income it gains indirectly from tourism and that tourism is becoming a greater engine of growth for the rest of the economy (i.e. the activities that tourists do not face directly). The rate of increase may have declined somewhat in recent years.¹⁰ Meaningful comparisons of employment multipliers are possible only for some years because of the irregularity of employment surveys in Aruba. For purposes of extrapolation, an annual increase in the employment multiplier of 0.5% is adopted.

There are opportunities for increasing the indirect contribution of tourism in Aruba thereby creating new and well-paid professional jobs beyond the tourist sector. Some possibilities

¹⁰ There are several difficulties in comparing studies since different versions of the multiplier are used. As far as possible the numbers have been adjusted to a common definition. The 1995-2002 values are 12-month impacts calculated from input-output tables assembled from the CBS National Accounts.

may be deduced through comparing trends in levels of domestic production, imports and the purchase made by the tourist sector. For example, the first chart shows that between 1995-2000 there was a steady increase in inputs of business services by tourist-oriented sectors - hotels, entertainment, and restaurants. However, the second chart suggest that local firms are failing to take advantage of this trend since over this same period the share of business services supplied by local firms has decreased. A goal of the tourism strategy should be to identify and promote downstream inputs - beyond those directly serving tourists. For example, the proposed retirement condominiums are intended to increase demand for medical and personal services.

Figure B.9. Import Substitution in Downstream Sectors



B.9. Local and Migrant Recruitment

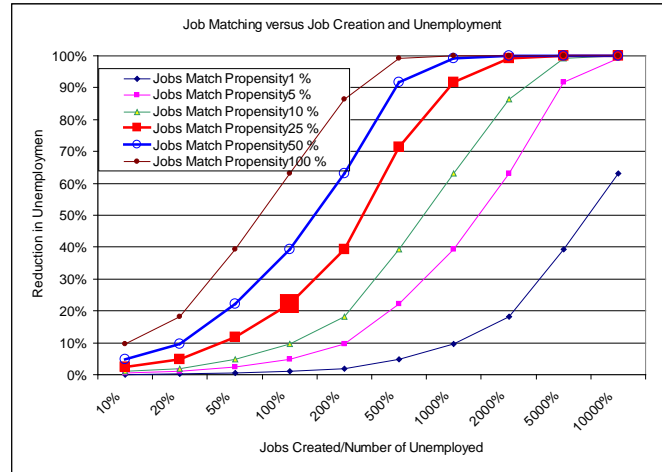
The demographic transition in Aruba has been very rapid; fertility rates have more than halved since 1960 and in the coming decades fewer native-born residents will be joining the labor force (CBS, 2000 Census). To some degree this process is offset by steady productivity growth in the economy at large as well as specific events such layoffs from large enterprises or the public sector. The balance of labor demand is supplied through new migrants.

Excess demand for labor is calculated each year as the difference between the total number of jobs resulting from the current increment hotel accommodation and the total job-seeking labor force. The new jobs are allocated on the basis of residential status in Aruba. Priority is given to native jobs seekers, then resident-migrant job seekers, and finally to new immigrants. The reverse order is used for allocating layoffs. This reflects past and current policy in Aruba. The result is that across the economy, resident-migrants serve as a buffer for the native Aruban labor force against short-run fluctuations in labor demand, just as the arrival and departure of new immigrants cushions the entire resident labor force.

The model matches the unemployed labor force to the jobs created by tourism or other investments. This match (ratio of suitable workers/ new jobs) depends both on the number of total jobs created and the type of jobs. The chart shows how the number of job seekers who are likely to find jobs depends both on the current total number of unemployed relative to the total number of jobs created. The current match is such that when 100 jobs are created about 25 native-born additional Arubans will become employed – this is represented by a job match propensity of 25%. If the ratio of jobs created to unemployed increases then the percentage of job seekers finding employment will rise even if the propensity remains constant. Employment will also increase if the job match propensity increases through better education, more appropriate job creation, greater awareness of opportunities, and so on.

The number of new jobs for residents is calculated from current unemployment, jobs created, and the match between unemployed and the positions created. These relationships are estimated for the current situation taking into account the structure of employment and unemployment by sector and occupation. [Figure B.10](#) shows the likely match of native-born workers to the new jobs created relative to the current number of unemployed. To make projections these variables are adjusted to account for possible improvements in training, retraining and rehabilitation etc. as well as changes in the structure of the industry.

Figure B.10. Reduction in Unemployment Relative to Growth in Job Opportunities



A typical calculation of job allocation in the model is as follows. In this case, there are 2000 jobs available, but only 347, 27% of 1300 native-born unemployed, are matched. Half of the remaining jobs go to unemployed resident migrants, and the rest, about 1400 jobs, go to new immigrant workers.

Table 4. Calculation of Job Placement and New Immigration

Excess Demand for Labor	2,000
Available Aruban Workers	1,309
Suitability	27%
Net New Aruban Jobs	347
Unemployed Native Arubans	962
Excess Demand for Non-Natives	1,653
Available Resident Migrants	499
Net New Resident Migrant Jobs	249
Unemployed Resident Migrants	249
Demand for New Migrant Workers	1,403

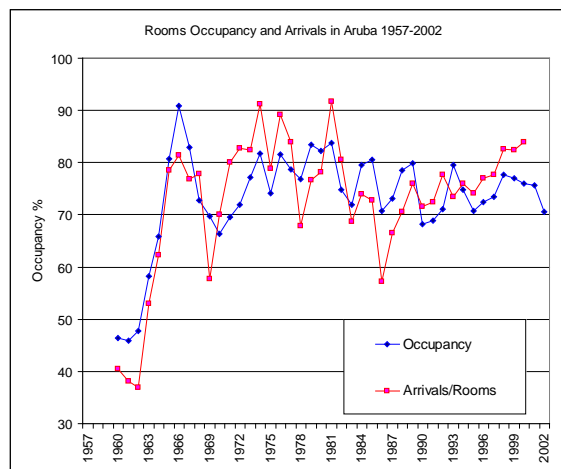
Typically, too few residents (Arubans and migrants) have been qualified or willing to take up the jobs created by large hotels. The result has been that new immigrants fill outstanding positions. Repeated over time, this becomes the primary cause of population growth in Aruba. Thus, improving the job match should be a key goal of any tourism strategy. The obvious goal would be to increase the proportion of job seekers and the compatibility with available jobs. This might be achieved, for example, through better local recruiting, awareness campaigns, “pathways” programs for the chronic unemployed, general and specialist education in tourism at all levels, expansion of the tourism school and university level programs. For example, a target for the overall match between native Arubans might raise the jobs created in a given situation might rise from the current 23% to 50% over a period of 20 years. The number of jobs to non-native residents follows a similar rule and the residual jobs go to new migrants.

B.10. The Tourist Arrival Model

The tourism sub-model arrivals model matches the number of visitors to the number of hotel rooms available based on estimated derived from occupancy rates and other information relevant to the attractiveness of Aruba as a tourist destination. This simple “build it and they will come” assumption is qualified and modified in several ways that account for possibilities for improved marketing, product quality, and diversification of the Island’s tourism products, or other factors that may detract such as environmental degradation or overcrowding.

A paramount issue here is that of product quality, together with a related issue of whether Aruba's tourism product is over- or under-priced.¹¹ Given the small size of Aruba it would be futile to enter into prolonged price competition with larger resorts such as Cancun in larger territories or Islands such as The Dominican Republic with low-cost labor and greater room for expansion.¹² Post-9/11 price lowering strategies by chain hotels, in some cases to below breakeven, are obviously non-sustainable, even if they temporarily restore occupancy levels. Ultimately, the most viable strategy is to create a diversified portfolio of quality products, and to better utilize the existing stock. The aim of the proposed strategy is to maintain or enhance occupancy overall: restore occupancy in failing products, and balance up-market hotel products with more stable loyalty-based timeshare and condominium products.¹³

Figure B.11. Trends in Annual Occupancy (1957-2002)



¹¹ The model does not include a “price module” principally because of data availability. The available statistical studies based on exchange rate variations suggest that tourism in Aruba is somewhat price inelastic. However, this finding gives few insights into Aruba's primary US market. The assumptions used in the model are based on discussions with individual hotel managers and tourism literature.

¹² These resorts in any case are experiencing price competition from yet lower cost resorts.

¹³ Examples of products that would contribute to this approach are presented elsewhere. Obviously, this has implications for marketing by ATA and others of the Island's tourism product. The implied assumption here is that the industry and the public sector will cooperate to achieve these objectives.

Given different assumptions about the success of this strategic goal, there are several issues related to timing of new investment and carrying capacity. One example that affects the short-run behavior of tourism investment is the delay between the opening of a new accommodation and reaching a target capacity. Historic variations in occupancy show that in the past in Aruba these delays have extended for several years especially following construction of large hotels. This delay has shortened as hotel chains have introduced new marketing strategies and more complex products (for example, combining transient and timeshare, and condominium sales).¹⁴ The charts show that over time cyclical and seasonal variations in occupancy have declined.¹⁵

Second, there are concerns about the increasing intensity of tourism. Measuring this as visitors/land area, Aruba is one of the most crowded resorts in the Caribbean. Visitors' sense of being "crowded" might reduce as beach space becomes limited or access to the rest of the Island is restricted or degraded through suburban sprawl or worsening security. Such phenomena are difficult to measure but are introduced here to illustrate the possible impact of continued growth. The goal of the tourism strategy is, as far as possible, to avoid these adverse effects through the regional diversification of products, and through slowing the pace of tourism growth. Insofar as potential "limits" arising from land-use can be assessed, they are more likely to arise indirectly from residential pressure than from tourist pressure on beach space and specific environmental resources. Again the overall goal is to reduce land use pressure in order that incipient environmental problems can be contained.

In the model the attractiveness of the Island declines as the total number of rooms approaches a carrying capacity estimated on the basis of regional land availability in Aruba, styles of dwellings, reserved land, and zoning considerations. Overall attractiveness of the

¹⁴ Smaller hotels have a lesser depressing effect on overall occupancy, but longer delays because of their lesser marketing ability. These limitations may be overcome to some degree. For example, the internet offers improved access new niche markets. Moreover, visitors to Aruba high loyalty rate and new products should build on this base.

¹⁵ Trends and variations in occupancy will be considered in the section dealing with hotel costs and performance.

Island in turn determines long-run average occupancy, as distinct from short-run fluctuations due to new hotels or other effects.¹⁶ This relatively simplistic approach is dictated by the lack of information about more substantive ecological concerns such as environmental resources, their fragility, actual land use, or emissions.

Table B.5. Effects of Crowding and Competition

Item	Initial	Final
Year	2000	2045
Environment and Crowding %	100%	89%
Rooms Occupied	5,200	11,019
Average Occupancy %	80%	69%

B.11. Public Sector Revenues and Expenditures

The net return to the public sector of different tourism strategies and new projects in Aruba provides another indicator of tourism strategy. On the one hand, a proportion of the public revenue that currently supports infrastructure, education, health, and so on, comes directly or indirectly from tourism. On the other hand, the government supports tourism through tourism-related infrastructure, tax holidays, and so on. Evaluating the revenue balance is especially complicated in Aruba because of the high proportion of overseas investors and migrant workers involved in tourism development.

Historically, a large proportion of hotel investments in Aruba have benefited from tax holidays, and a variety of other subsidies. This is in part a legacy of the origins of tourism in

¹⁶ In the model year-to-year fluctuations in occupancy depend on current arrivals relative to the current available number of rooms. Depending on the investment model used (see above) this may determine decision to construct a new hotel.

Aruba when such subsidies were justified as support for an infant industry to reduce unemployment or in the immediate aftermath of the closing of Lago.

Previous calculations based on the present situation (based on data for 1998) suggest that when all costs and revenues are taken into account the government can make a net loss on each visitor to the Island.¹⁷ Whether and when this situation arises will depend on the circumstances of individual hotel investments as well as the prevailing economic situation. The least favorable combination is when there are few unemployed (and hence no unemployment benefits to offset) and when developers and operators are granted extended tax holidays. Table B.6 provides an example of how tax regimes, the prevailing economic situation, and typical hotel development determine net revenue per tourist. Impacts here are averages for selected styles of accommodation.¹⁸

¹⁷ The detailed calculation presented at the NTC 2002 itemized the expenditures and revenues of government that are associated with the construction and operation of various types of hotel units, and estimates the overall contribution of the prevailing hotel mix to the economy. This accounted for profitability, income repatriation, employment, and hence government revenues and expenditures in both the tourist and downstream sectors of the economy. The principal items accounted for in assessing net government revenues were Room and Casino Tax, Net Profit Tax, Public Spending on Native-born and Migrants, Wage Repatriation, Infrastructure and Opportunity Costs, Unemployment rates and Welfare Saving, Other Tourism Sector and Economy-wide Revenues.

¹⁸ In the table items in parenthesis show a net loss. The consolidated results are weighted by the present composition of hotels and averaged over a 2-year construction phase and 10-year operation phase. The total includes apartments and small hotels that are not detailed in the table. While there are characteristic benefits from each type of hotel operation, the contribution from any new projects will depend on precise details (such as the size or type of ownership) that should be made explicit in new project proposals.

Table B.6. Net Revenue per Tourist to Public Sector from New Tourism Development

TAX AND UNEMPLOYMENT REGIME	1) WITH NO TAX HOLIDAY AND REDUCING UNEMPLOYMENT	2) WITH TAX HOLIDAY AND REDUCING UNEMPLOYMENT	3) WITH TAX HOLIDAY AND FULL EMPLOYMENT
Type of Hotel Development	Public Net Revenue/Tourist Afl	Public Net Revenue/Tourist Afl	Public Net Revenue/Tourist Afl
Luxury	0.4	(2.0)	(8.7)
Standard	6.8	5.4	(4.5)
Economy	10.9	10.3	(2.6)
Timeshare	9.0	0.2	(10.2)
All Accommodation	5.7	1.2	(7.8)

The economic circumstances of the Island have changed markedly from the early days of tourism in Aruba. A high proportion of new jobs are filled from overseas, the Island faces capacity constraints, and there are continuing chronic shortfalls in revenues. In addition there has been a sharp decline in development support from Holland. The Government intends to replace the present outmoded system of taxation with a simpler approach using a GST (General Spending Tax) framework and NFR (New Fiscal Framework). This aims to promote domestic investment and through the abolition of existing off-shore tax regimes increase raise profit and dividend taxes on major from investments such as those associated with the hotel sector. Unfortunately, there is as yet no clear picture of the potential effect of new legislation on the revenue balance.

For the moment the implications of alternative strategies are based on current average rates adjusted for different types of accommodation and visitor.¹⁹ Current revenues and

¹⁹ The average rates are calculated from the Public Finance Annual Statistics (CBS, 2002 CDROM Table 13). The revenues are calculated from data in the National Development Plan 2000-2004 (Finance and Economic

expenditures are divided between tourist and non-tourist businesses, migrant and native-born workers and the corresponding rates (per worker, per tourist, etc) calculated. Thus, the figures in Table B.7. and Table B.8. reflect the current efficiency of the tax collection system as well as the budgeted tax rates. Revenue collection at the present rate is compared with tourist-related expenditures, including costs of settling new residents, additional infrastructure, and so on. The revenue balance is then projected based on the demographic and other trends provided by the model.

Table B.7. Average Tax Rates for Tourism, Residents, and Business

TAX RATES	DIRECT	INDIRECT	TOTAL	UNITS IN 2000	REVENUE	TAX RATE/UNIT
Tourist	41,897	76,168	118,065	5,237	118	2.3%
Other Business	78,253	142,263	220,516	14,242	221	1.5%
Native Workers	175,703	-	175,703	23,773	176	0.7%
Migrant Workers	122,327	-	122,327	16,551	122	0.7%

Affairs, 2000, p 10). Revenue estimates are based on reported revenue by source compared to the number of contributors (e.g. CBS reported room tax/CBS reported number of visitors) rather than the head tax. Approximate expenditures are estimated similarly with totals pro rated according to estimated use. Allocation of public support for airports, utilities, public works, etc are sub-divided according to the number of users (residents, tourists, etc) or the reported use (e.g. amount electricity, water sold by WEB to residents, hotels, etc). The goal is to estimate the total cost of tourists and the tourism sector to the government to be estimated, rather than simply the direct support provided to hotels as tax waivers).

Table B.8. Average Public Expenditures on Tourism, Residents, and Business

Infrastructure Investment by Government

INFRASTRUCTURE	UNITS 2000	EXPENDITURE	EXPENDITURE/UNIT
Tourism Sector	5,237	6.3	0.12%
Other Business	14,242	22.4	0.16%
Household Use	89,806	61.1	0.07%

Current Expenditure by Government

CURRENT	UNITS 2000	EXPENDITURE	INVESTMENT/UNIT
Tourists/Rooms	15,754	6	0.04%
General Population	89,806	301	0.33%
Dependant Population	49,482	458	0.93%

In general, given the present fiscal crisis in Aruba, the goal is: 1) to identify relatively inexpensive public sector projects that can enhance the quality of the Aruba tourist product, and 2) to find strategies that show an unambiguous and long-term improvement in net public sector income. In the latter case it may then be possible to support the project through anticipated future earnings through e.g. tax increment financing (where a revenue stream stimulated by a specific investment is devoted to paying off loans covering the initial cost of the project), or to package the projects as part of a more comprehensive development strategy that becomes eligible for Dutch Development Cooperation support.

B.12. Details of the Tourism-Economy-Demographic Model

The NTC model just described draws projections and historic analysis from a set of quantitative computer models.

- A micro-economic model of the dynamics of the tourism sector evaluates historic and possible future relationships between the size and style of hotels, investment, occupancy, and growth. A second model evaluates affects the robustness of the industry against changes in the portfolio of tourist accommodation.
- A social accounting model of the entire economy of Aruba gives the links between tourism activities and other sectors (industry, households, government). This calculates the contribution of tourism overall, and the potential impact of proposed new activities (establishments, entertainments, etc) on income, revenue, demand for labor, etc.
- A demographic cohort model evaluates the effects on population growth, migration, labor force and dependency resulting from alternative tourism strategies.
- A land-use model explores the relationship between tourism development, residential (and associated business development), and the physical carrying capacity of the Island.

The variables used in the model are given in Table 9.

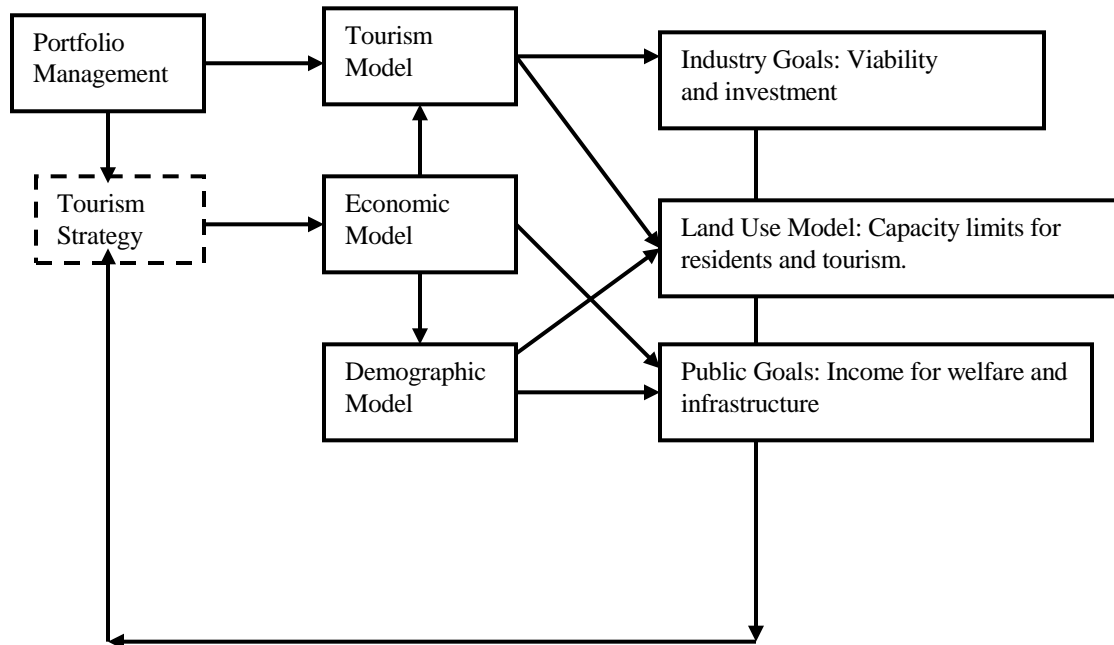
Table B.9. Components of the NTC Model

SUB-MODEL	EXAMPLES OF VARIABLES SPECIFIED AND CALCULATED
Tourism	Direct investment requirements, construction and hospitality workers, etc. Occupancy, profitability, etc.
Portfolio Management	External shocks, market cycles, seasonal and cyclical occupancy and REVPAR by type of accommodation.
Economy	Employment and other multipliers, GDP, indirect and total jobs, revenues, etc from major tourist activities Number and type of jobs, household income, government revenues, etc. per visitor or type of tourist accommodation
Population	Age structure of native and future settlement by migrants (births, infants, school age, labor force, elderly, etc.) Ditto for temporary migrants depending on length of stay
Land Use	Physical resource requirement for tourist activities (hotels, timeshare, etc) and related development. Upper limit on tourism development given residential styles, labor productivity, zoning regulations, etc.

Although the empirical information in these models is of varying quality together they help us to evaluate the implications of various tourism strategies over short, medium, and long-term and guide the recommendations set out in the strategy. The individual models and examples of analysis and projections are given below.

The results of the individual models are integrated into a joint model that is used to calculate the scenarios presented. [Figure B.12](#) illustrates some of the key links between the sub-models.

Figure B.12. The NTC Tourism-Economy-Demographic Model



B.13. Data, Assumptions, and Model Reliability

As far as possible, the many parameters used in the model - fertility rates, labor productivity, economic multipliers, and so on - are based on current statistical information from the CBS and other Government departments, AHATA, consultant reports, and surveys and interviews carried out as part of this project. Data are supplemented by industry surveys in the Caribbean, CTO and WTO, visitor market surveys, and the tourism literature. The assumptions about the behavior of the actors described by the model – investors, hotel operators, workers, households, etc are based on these sources, as well as information supplied by members of the NTC. Other data come from time series compiled from various reports since tourism in Aruba began in the 1950s.

The ability of the different parts of the model – demographic, macro-economic, and tourism investment and employment – are adjusted so that they replicate past trends in Aruba. For example, the demographic model is based on CBS Census data and its parameters estimated to “predict” 2000 Census population levels and age structures of natives and migrant from the 1991 population base. The macro-economic model calculates GDP well, and the output of production sectors adequately for years 1995 to 2000 from known tourism and export earnings in those years. Other data are taken from macro-models for Aruba constructed since 1975. The tourism model replicates trends in total room accommodation, hotel size, and occupancy from 1955 to 2003 as reported in previous studies, the Government Annual report (in the National Archives), and the draft “History of Tourism in Aruba” (AHATA, 2003 forthcoming).

B.14. Projections with the Model

For the projections presented in this report, population growth assumes the continuation of historic trends in fertility and mortality of native (i.e. Aruban-born) and non-native residents. Population growth also depends on policy and labor market rules governing short and long-term residence of non-natives and migrants on the Island. Macro-economic assumptions include trends in non-tourism exports, productivity, and economic multipliers. Similar variables are assumed for the tourism sector. Other key variables include the suitability of the changing resident labor force for the jobs that are created directly and indirectly by new accommodation.

The demographic sub-model and macro-economic sub-model rely mainly on the prevailing structure of population and industry in Aruba and provide fairly stable forecasts, given reliable exogenous inputs. The tourism model that provides these inputs is sensitive to investor behavior, the characteristics of different styles of accommodation, visitor preferences, and policy interventions. Together the models may be used to discriminate

between policy alternatives. While only a small number of possibilities are shown in this document, they illustrate the potential of the model as a tool of strategic asset management for tourism resources.

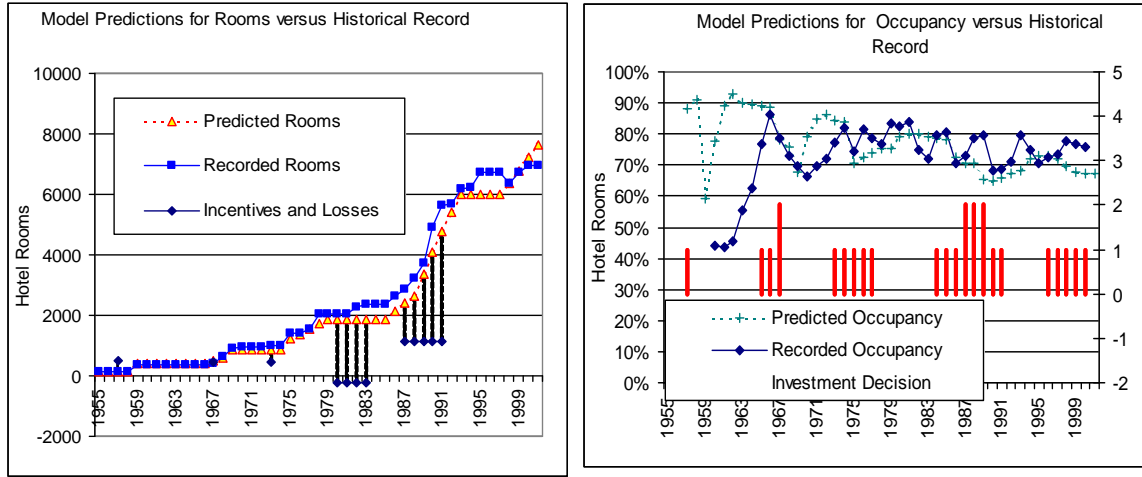
The model is systemic in that there is feedback between variables that determine the overall development of tourism, or population. For example, migration is a response to imbalances in the local labor market that have arisen as a result of previous hotel construction which was itself a response to earlier imbalances. Similarly, new hotel investments depend on overall occupancy that in turn depends on the total accommodation. Thus, the model shows how particular patterns of behavior repeated over time contribute to the cyclical growth and stop-go policy regimes that are characteristic of past tourism development in Aruba, and gives clues as to how they might be avoided in the future.

B.15. Tourism Sub-Model

The tourism model combines several variants of life cycle theory into a formal empirical model based on parameterized equations with outcomes that can be tested against past events and trends. The tourism model provides a plausible explanation of resort life-cycle phenomena as exhibited by the two principal Caribbean tourist styles characterized by the large-international hotel style that predominates in Aruba, and the contrasting small independent hotels in Barbados. An example of this testing is given in [Figure B.13](#).²⁰

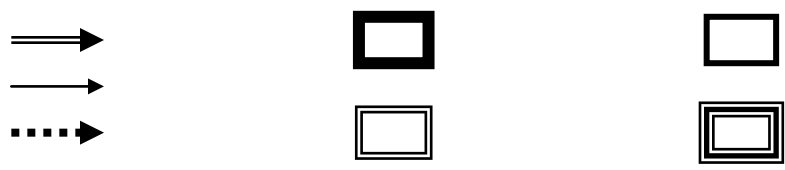
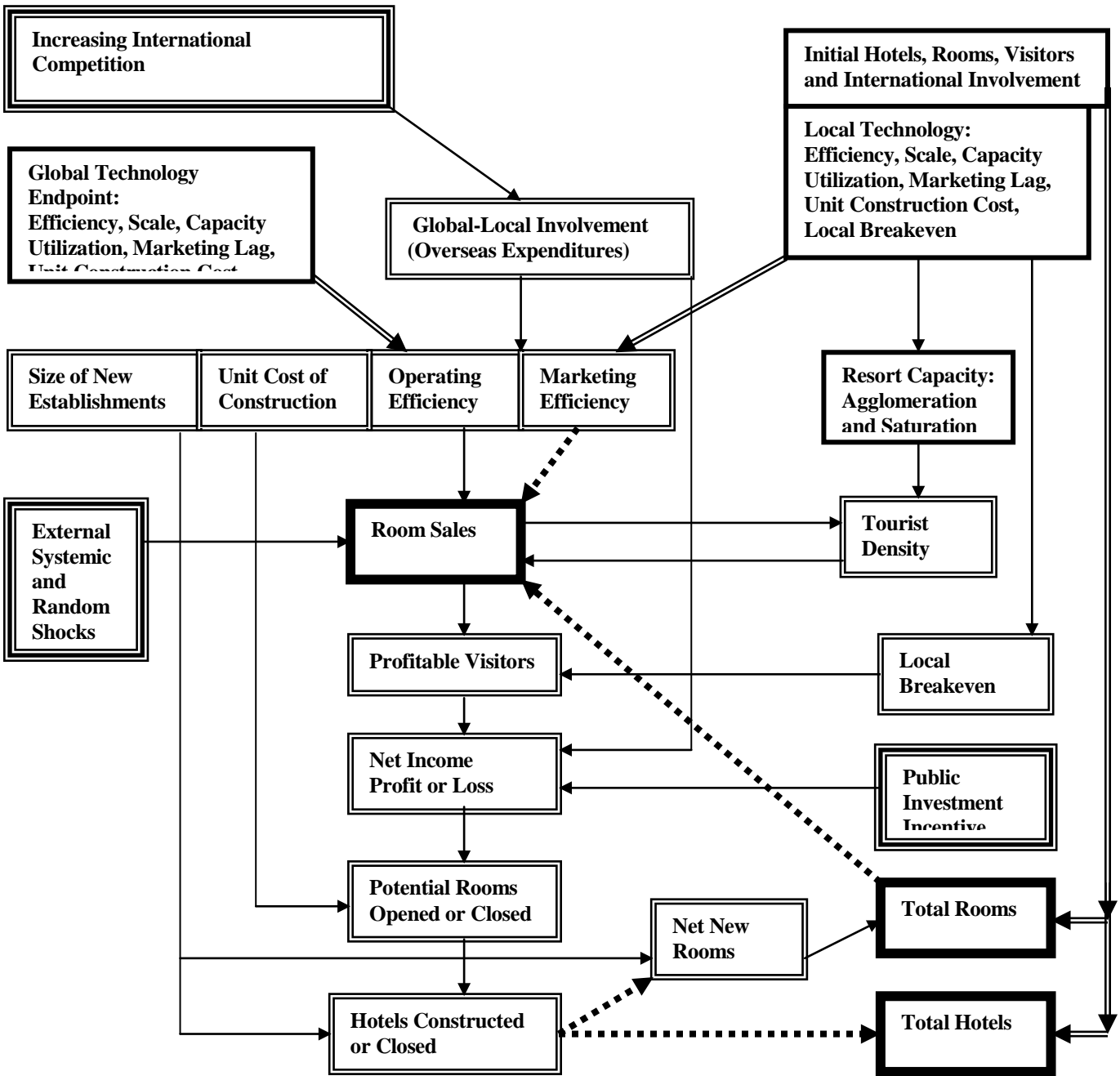
²⁰ Sam Cole, University at Buffalo. Globalization and the Dynamics of Tourism – Aruba and Barbados. Presentation at University of Aruba, Oranjestad, May, 2003.

Figure B.13. Predicted versus Historical Trends in Aruba



However, even a perfect historical fit for any model would not provide an ability to predict the future. This is because the principal uncertainties depend on external events beyond the control of local industry or policy makers, and are themselves unpredictable. The main use of the model is to explore alternative strategies for tourism and related policy in Aruba in order to meet specified social, economic, and environmental objectives, and the responses to possible external trends and contingencies.

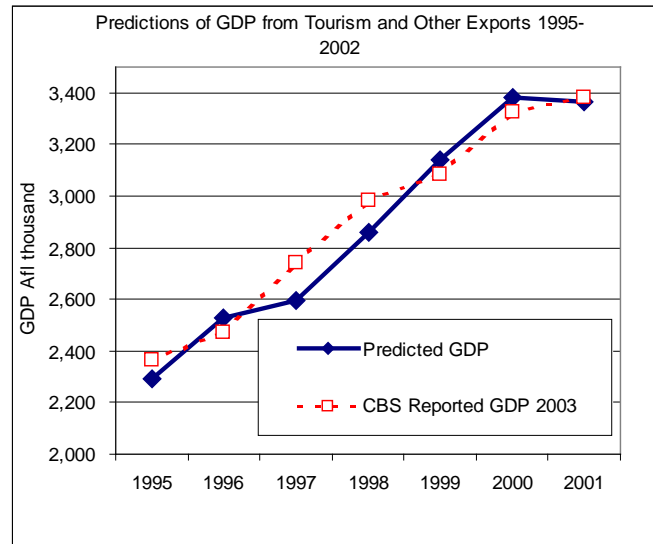
Figure B.14. Variables and Feedbacks in the Tourism Model



B.16. Macro-Economy Model

The input-output model used in the present study provides satisfactory prediction of GDP for the years 1995-2002 based on levels of tourist spending and non-tourist exports for those years. This is shown in Figure B.15. This model has been used to estimate the impacts on employment, income, and revenues for each of the current and new styles of accommodation and tourism employed in the tourism strategy on the basis of data provided by hotels, surveys undertaken by the CBS, the national accounts, and industry surveys.

Figure B.15. Performance of Macroeconomic Model 1995-2002



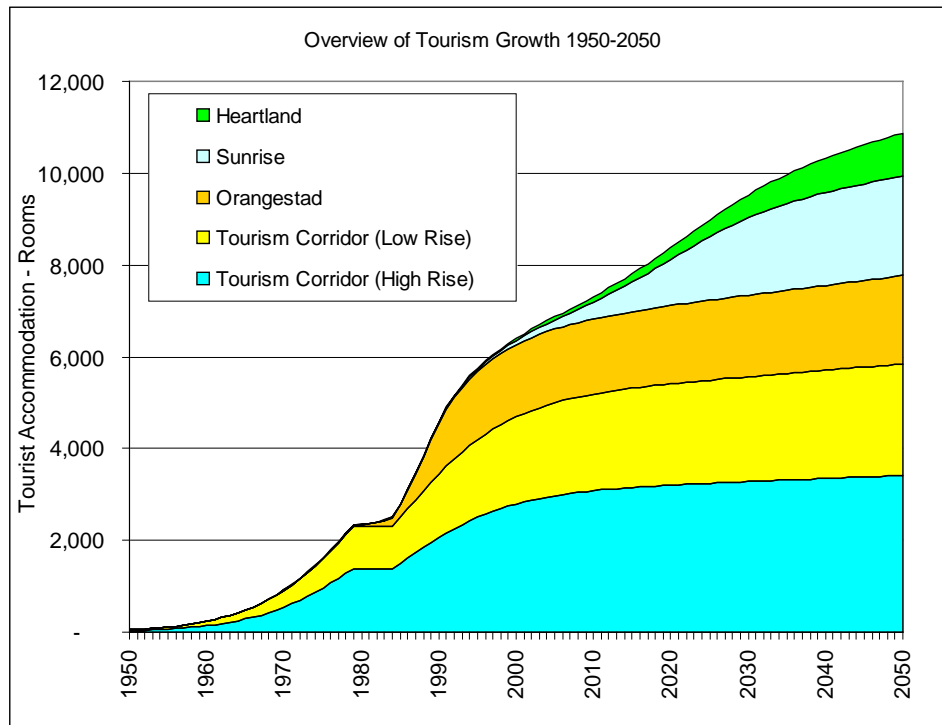
In general there is limited possibility for testing the precise impact of individual hotels or enterprises in a small economy such as Aruba. This is due in part to inadequate data (confidentiality restrictions, misreporting, and lack of regular surveys) and the difficulty of separating impacts arising from other on-going events. The influence of past major hotel developments in Aruba are noticeable in occupancy trends (e.g. the construction of the

Concorde in 1968). Moreover, an earlier test based on the shutdown of the Lago oil refinery, an exceptionally large and discrete event, showed that input-output type models give a reliable estimate of employment and some income levels when a major business closes.

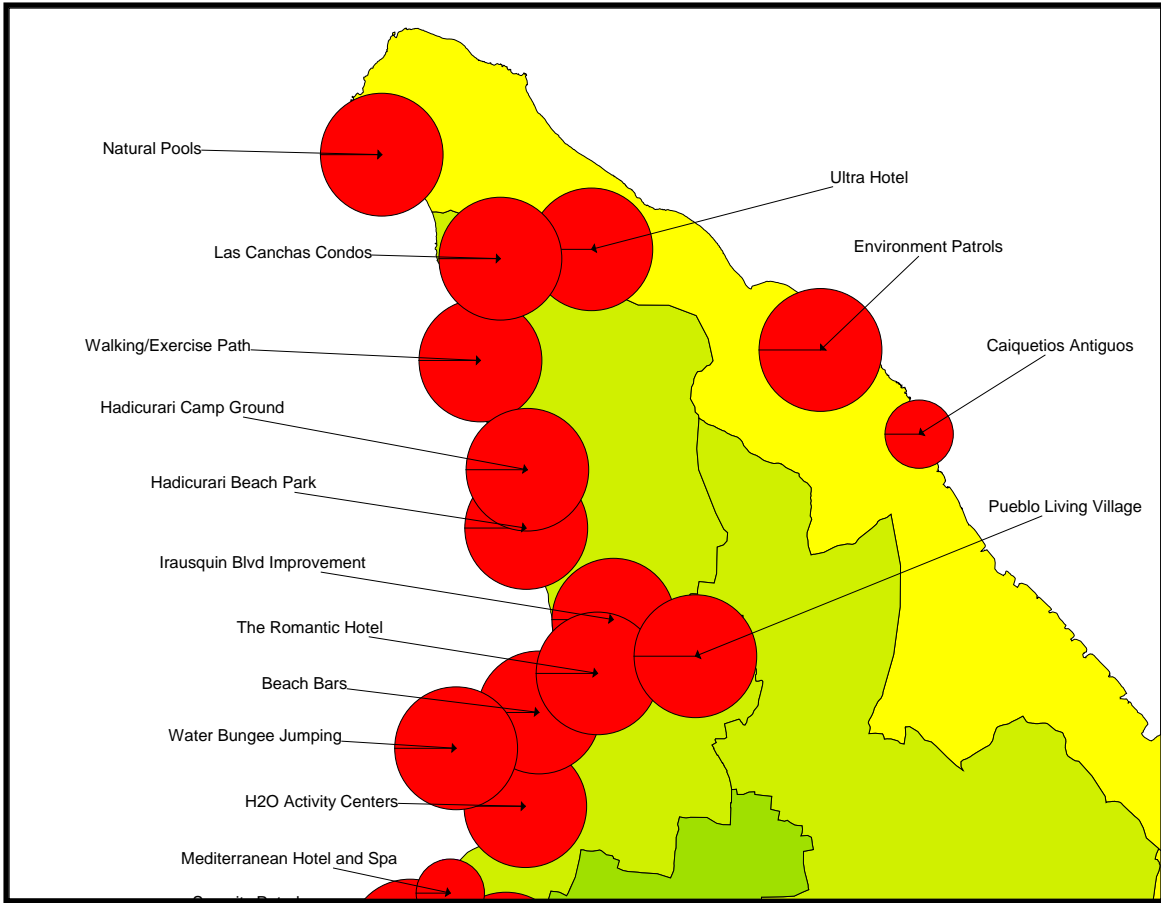
APPENDIX C. REGIONAL PROJECT MAPS

The following Maps indicate the approximate location of projects described in Sections 6 and 7. The projects are selected to illustrate the location, type of and mix of projects that might be considered as part of the medium-run strategy (roughly the next 10 years). The overall approach for each region is given in Section 6 and a short description of each project is given in Section 7.

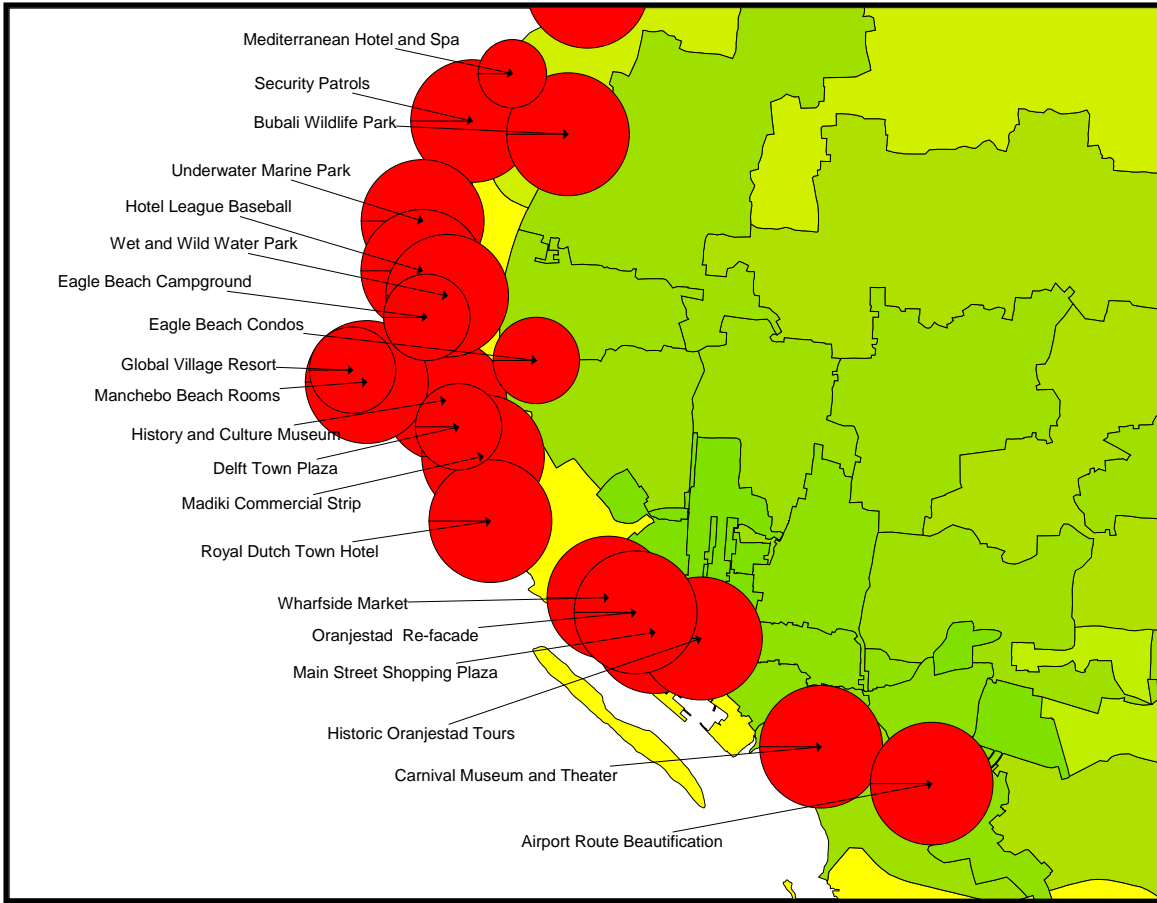
Figure C.1. Illustrative Trends showing Possible Future Tourism Development by Region.



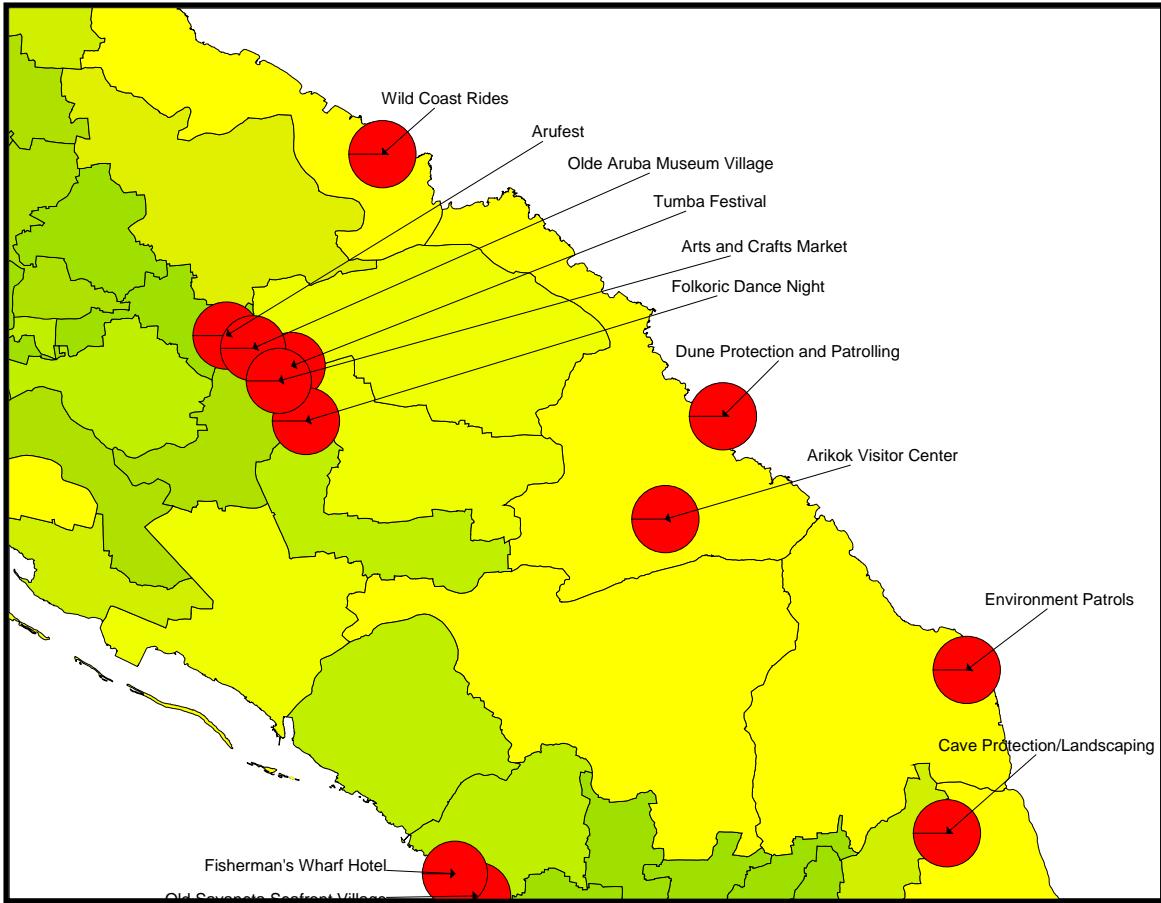
Map C.1. Tourism Corridor Projects



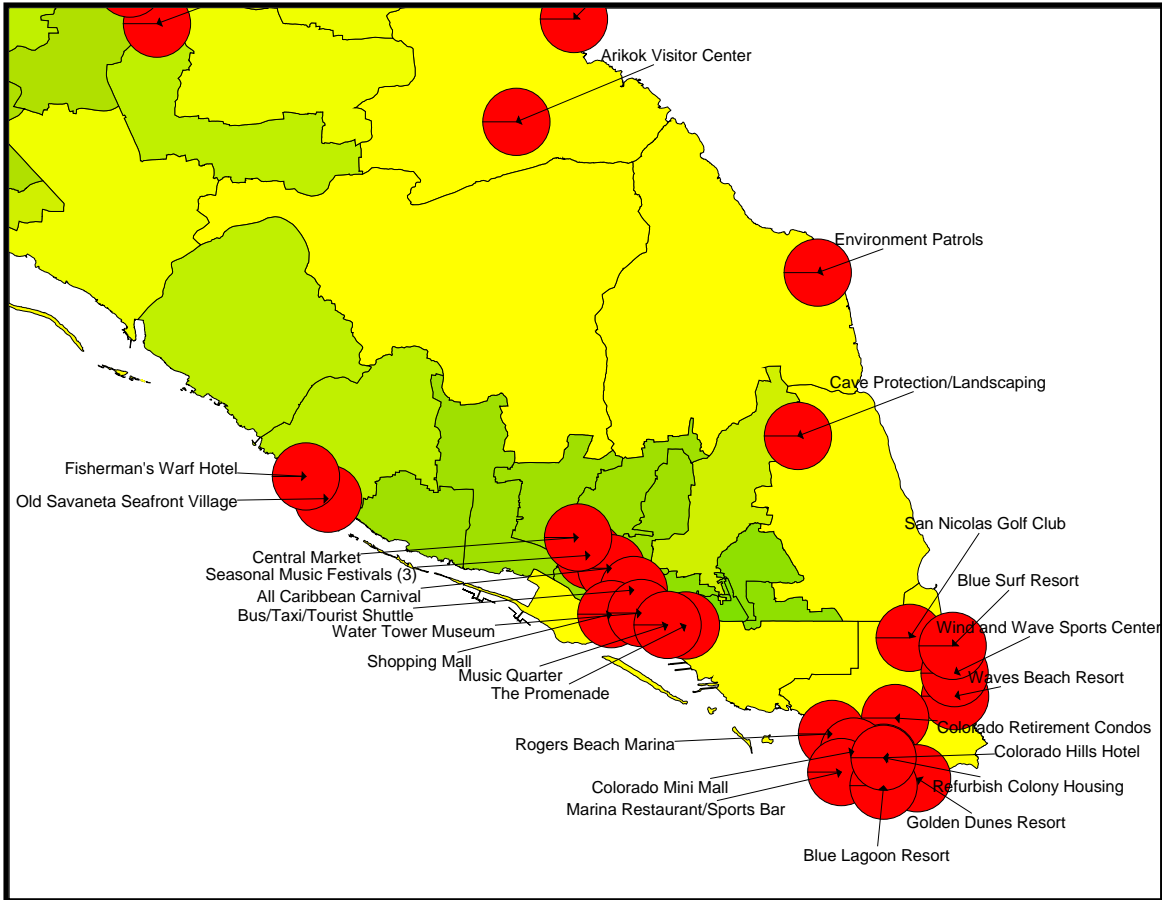
Map C.2. Oranjestad Area Projects



Map C.3. Santa Cruz and North Shore Projects

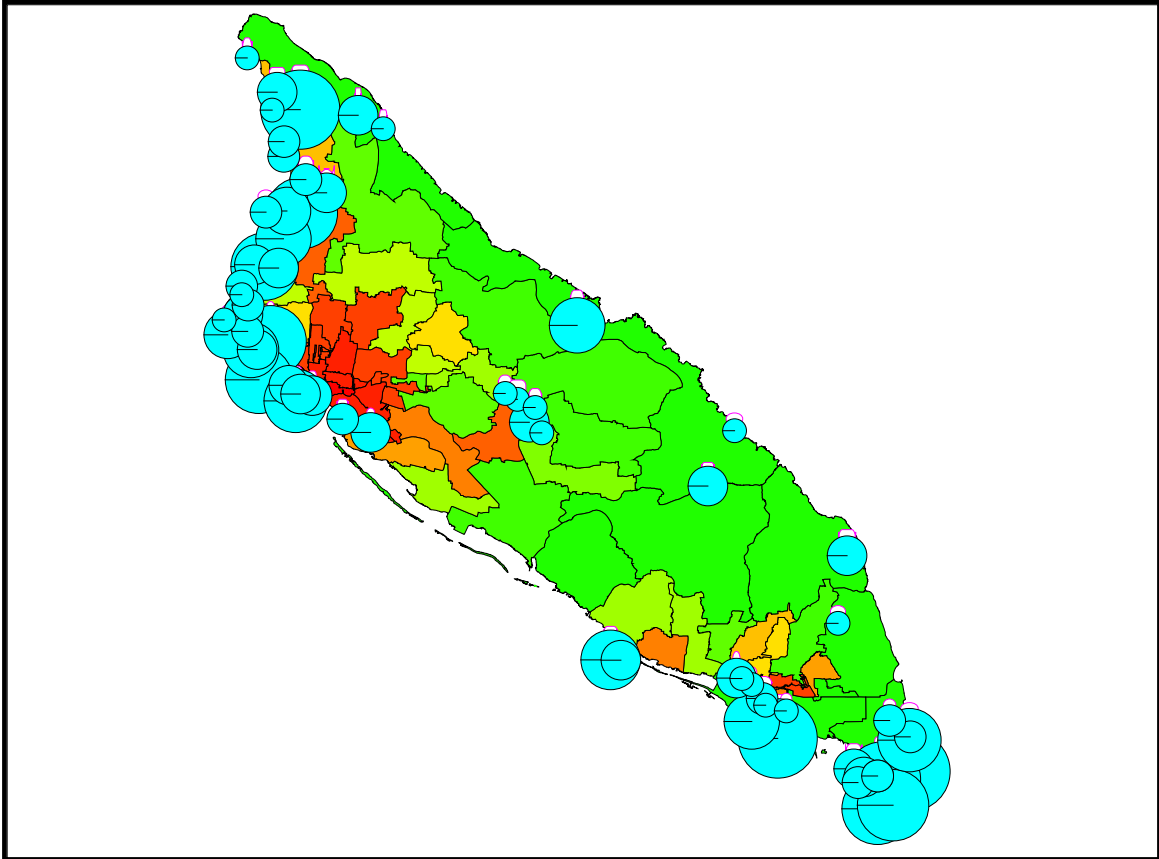


Map C.4. San Nicolas and Seroe Colorado Projects



Map C.5. Estimated Jobs Created by Projects

The Map indicates the approximate location of project and the relative number of jobs that might be created by each project. The estimate of jobs includes only those at the project and does not include the downstream jobs that would be created in neighboring population centers and across the island.



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